

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
JULY 23, 2014  
APPLICATION SUMMARY**

NAME OF PROJECT: Christian Care Center of Bristol

PROJECT NUMBER: CN1404-012

ADDRESS: 2830 Highway 394  
Bristol, TN (Sullivan County), Tennessee 37620

LEGAL OWNER: Christian Care Center of Bristol, LLC  
2020 Northpark, Suite 2D  
Johnson City, TN (Washington County), TN 37604

OPERATING ENTITY: Care Centers Management Consulting, Inc.  
2020 Northpark, Suite 2D  
Johnson City (Washington County), TN 37604

CONTACT PERSON: Jerry W. Taylor  
(615) 782-2228

DATE FILED: April 10, 2014

PROJECT COST: \$11,953,747

FINANCING: Commercial Loan

REASON FOR FILING: Relocation and construction of a 120-bed replacement nursing home

DESCRIPTION:

Christian Care Center of Bristol (CCCB) is a 120-bed inactive nursing home located at 261 North Street, Bristol (Sullivan County), Tennessee. The applicant seeks approval to relocate and construct a replacement facility approximately 8 miles from the current site to an unimproved lot located at 2830 Highway 394, Bristol (Sullivan County), TN. The project is not subject to the 125-bed Nursing Home Bed Pool for the 2013-2014 state fiscal years because no new beds are being added.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

**CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT  
OF  
HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

*Not applicable-The project does not involve the addition of new nursing home beds.*

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

*A total renovation of the existing facility is not practical due to the expense that would be required to meet current building codes and licensure standards. In addition, sufficient land is not available to meet space requirements.*

*The existing facility is approximately 50 years old. On page 18 of the application, the applicant lists 14 major areas of the physical plant that are inadequate and/or antiquated. Areas identified include roof replacement, possible asbestos removal, fire alarm, heating and cooling, plumbing, emergency power upgrades and other items related to space requirements.*

*It appears that this criterion has been met.*

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project

*The average occupancy for Sullivan County nursing homes was 88% in 2010, 90% in 2011, and 88% in 2012. The Tennessee Department of Health (TDH) calculates there is a net need for an additional 577 beds for Sullivan County in 2016.*

*The 2010-2011 occupancy rate at the facility was 82%. The applicant indicates that an adequate demand exists for the relocated facility since the existing facility had experienced a healthy occupancy given the age and general condition of the building, and its location.*

*It appears that this criterion has been met.*

3. For renovation or expansions of an existing licensed health care institution:
- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

*This criterion is not applicable.*

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

*This criterion is not applicable.*

### STAFF SUMMARY

***Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.***

Christian Care Center of Bristol, formerly known as Bristol Nursing Home, is located on the border of Tennessee and Virginia, with approximately half of the building located in each state. Historically, this has caused the building to be licensed as two separate nursing homes, one 37,500 SF facility licensed by Tennessee (120 beds), and one 26,500 SF facility licensed by Virginia (120 beds). The Virginia facility has since been relocated to Wythe, Virginia by a different company and is not associated with the applicant.

The following is a timeline of the events associated with the facility when it was under the previous ownership.

#### **History**

- April 13, 2012-Suspension of new admissions and state civil monetary penalty of \$3,000 imposed by Tennessee Department of Health (TDH) Commissioner after a complaint investigation conducted from March 26-31, 2012 substantiated violations in administration, performance improvement, nursing services, and resident rights. A federal civil monetary penalty of \$5,900 per day was also imposed.
- April 18, 2012-Suspension lifted
- April 30, 2013-Suspension of new admissions and state civil monetary penalty of \$3,000 imposed by TDH Commissioner after a complaint investigation conducted from April 18-22, 2013 substantiated two allegations of resident abuse. Violations were also found in standards related to administration, performance improvement, nursing services, records and reports, and resident rights. A federal civil monetary penalty of \$5,450.00 per day was imposed.
- May 1, 2013-CMS issued a 15-day termination notice of the Medicare and Medicaid provider status to be effective at midnight on May 15, 2013.

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- June 14, 2013-Medicare and Medicaid residents had been discharged and relocated.
- August 7, 2013-State suspension of new admissions lifted due to substantial compliance with licensure standards.
- September 11, 2013-TDH Board for Licensing Health Care Facilities grants a 2-year inactive status to the 120- bed facility.
- October 1, 2013- Christian Care Center of Bristol, LLC (applicant) acquires Bristol Nursing Home.

#### **Ownership**

- Christian Care Center of Bristol is a member managed Limited Liability Company (LLC) formed on June 24, 2013.
- The LLC is owned by two individual members: J.R. Lewis holds 60% ownership interest, and Grant T. Miller holds 40% ownership interest.
- J.R. Lewis owns a majority interest in 12 Tennessee nursing homes, and jointly owns an additional 3 Tennessee nursing homes with Grant T. Miller.
- A complete list of all Tennessee nursing homes owned by the applicant is provided on page 1 of the Supplemental Response.

#### **Facility Information**

- The existing 37,500 SF 120-bed Tennessee nursing home will be replaced with a new single story 52,732 SF building located on 5 acres.
- The site will be purchased and the building constructed by Bristol Real Estate Investors, Inc. (BREI). BREI (owned by the same owners of the applicant) will enter into a long-term lease agreement with CCCB.
- Floor plan drawings are included in Attachment B.IV.
- The bed complement of Christian Care Center of Bristol will consist of 36 private beds and 84 semi-private beds.

The chart on the following page breaks out the bed accommodation mix by nursing home facility in the Sullivan County service area.

**Sullivan County Patient Accommodation Mix-Most Recent JAR Period (2012)**

<b>Nursing Home</b>	<b>Licensed Beds</b>	<b>Total Private Beds</b>	<b>Total Semi-Private Beds</b>	<b>Ward Beds</b>
Bristol Nursing Home	120	4	104	12
Brookhaven Manor	180	0	180	0
Greystone Healthcare Center	165	7	158	0
Holston Manor	204	5	196	3
Indian Path Med. Ctr. TCU	22	22	0	0
The Cambridge House	130	4	126	0
The Wexford House	174	6	168	0
<b>Service Area Totals</b>	<b>995</b>	<b>48</b>	<b>932</b>	<b>15</b>
<b>Proposed Project</b>	<b>120</b>	<b>36</b>	<b>84</b>	<b>0</b>

*Source: Tennessee Department of Health, 2012 Joint Annual Report*

The chart reflects the following:

- Currently 5% (995 licensed beds/48 private beds) are private rooms.
- If approved, Christian Care Center of Bristol (CCCB) will add 36 additional private beds to Sullivan County and provide 45% (44 existing private beds/36 new private rooms) of all the available private nursing homes in Sullivan County.
- This project will increase the private/total bed percentage to approximately 8% for Sullivan County.

**Service Area Demographics**

Christian Care Center of Bristol's declared service area is Sullivan County.

- The total population of Sullivan County is estimated at 158,975 residents in calendar year (CY) 2014 increasing by approximately 0.7% to 160,039 residents in CY 2016.
- The overall statewide population is projected to grow by 1.84% from 2014 to 2016.
- The 65 and older population will increase from 33,325 residents in CY2014 to 35,249 residents or 22.0% of the general population in CY2016. The statewide 65 and older population is expected to reach approximately 15.5% of the general population in CY2016.
- The proportion of TennCare enrollees of Sullivan Counties' population in CY2014 is 17.1%, compared with the statewide average of 18.0%.

*Sources: Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics, U.S. Census Bureau, Bureau of TennCare.*

### **Historical Utilization**

The licensed bed occupancy of the seven nursing homes was approximately 87% in calendar year 2012. Key highlights follow:

- Total skilled average daily census (ADC) was 180 patients per day or 18.1% of all licensed beds.
- Medicare ADC was 132.4 patients/day or 13.3% of all 995 licensed beds.
- TennCare Level 2 ADC was 30.3 patients/day or 3% of total licensed beds.
- Total non-skilled ADC was approximately 686.9 patients/day or 69% of all licensed beds.

### **• Inventory & Utilization of Area Nursing Homes, 2012**

Licensed Beds	Medicare certified beds*	SNF Mcare ADC	Mcaid Level 2 ADC	Skilled ADC Other Payors	Non-skilled ADC	** Total ADC	Lic. Occup.
995	995	132.4	30.3	17.4	686.9	867	87%

\* Includes dually-certified beds

\*\* No Joint Annual Report was submitted by Bristol Nursing Home in 2012. The utilization data for 2012 was taken from the 2011 Joint Annual Report.

The most recent 3-year utilization trend of the seven nursing homes is displayed in the table below:

### **Sullivan County Nursing Home Utilization Trends, 2010-2012**

Nursing Home	2014 Lic. Beds	2010 Patient Days	2011 Patient Days	2012 Patient Days	'10- '12 % Change	2010 % Occup.	2011 % Occup.	2012 % Occup.
Bristol Nursing Home	120	35,854	35,785	***No Report (35,785)	-20%	82%	82%	N/A
Brookhaven Manor	180	57,813	57,648	55,390	-4.2%	**89%	87.8%	84%
Greystone Healthcare Center	165	52,419	49,639	50,565	-3.5%	84%	82.4%	84%
Holston Manor	204	67,293	*96,397 (67,293)	63,659	-5.4%	90.4%	*129% (90.3%)	85.5%
Indian Path Med. Ctr. TCU	22	5,852	6,231	5,917	+1.1%	72.8%	78%	73.7%
The Cambridge House	130	44,794	44,222	43,904	-2.0%	94.4%	93.2%	92.5%
The Wexford House	174	60,646	60,682	61,291	+1.1%	95.5%	95.5%	96.5%
Totals	995	324,671	321,500	316,511	-2.5%	89.6%	88.5%	87%

Source: Tennessee Department of Health

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- \* The 2011 Joint Annual Report for Holston Manor appears to have errors in the reported patient days. Utilization data for 2011 was taken from the 2010 Joint Annual Report.
- \*\* The Brookhaven Manor Joint Annual report reported the facility was licensed for 178 beds in 2010.
- \*\*\*No Joint Annual Report was submitted by Bristol Nursing Home in 2012. 2012 utilization data taken from the 2011 Joint Annual Report.

The utilization table above reflects the following:

- There was an average decrease of 2.5% in total nursing home patient days from 2010 to 2012.
- The bed occupancy rates of 5 of the 7 nursing homes decreased during the 3-year period ranging from -.20% to -4.2%.
- Two nursing homes attained an occupancy rate in excess of 90%.

### **Projected Utilization**

- CCCB estimates the licensed occupancy of the 120-bed nursing home will increase from 50% in 2016 to 92% in 2017.
- CCCB projects a patient mix of 11 Medicare skilled patients, 6 skilled (other payors) and 43 non-skilled patients for a total average daily census of approximately 60 patients per day in the first year of the project.

The table below highlights the projected utilization in the first two years of the project.

**Christian Care Center of Bristol's Projected Utilization**

Year	Licensed Beds	Dually certified beds	SNF Medicare ADC	SNF Medicaid ADC	Skilled Other payors ADC	Non Skilled ADC	Total ADC	Occup.
2016	120	120	11	0	6	43	60	50%
2017	120	120	21	0	10	79	110	92%

Source: Supplemental response, Page 5

### **Project Cost**

Major costs of the \$5,100,000 total estimated project cost are:

- Construction- \$3,817,350 or 75% of total cost
- Contingency Fund- \$627,511 or 5.2% of total cost
- Acquisition of Site- \$400,000 or 3.3% of total cost

For other details on Project Cost, see the revised Project Cost Chart on page 24 of the application.

A letter dated April 4, 2014 from the architectural and engineering firm Kenross Architects provides estimates of the proposed building's construction cost and attests to the project's expected compliance with all applicable local, state, and federal codes, including the 2010 AIA Guidelines for the Design and Construction of Healthcare Facilities. The proposed construction cost per square foot of \$170.00 is above the median of \$167.31 per square foot, but below the 3<sup>rd</sup> quartile of \$176.00 per square foot of statewide nursing home construction projects from 2011 through 2013. Please see the table that follows:

**Nursing Home Construction Cost Per Square Foot  
Years: 2011 - 2013**

	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
<b>1<sup>st</sup> Quartile</b>	\$25.00/sq ft	\$152.80/sq ft	\$94.55/sq ft
<b>Median</b>	\$55.00/sq ft	\$167.31/sq ft	\$152.80/sq ft
<b>3<sup>rd</sup> Quartile</b>	\$101.00/sq ft	\$176.00/sq ft	\$167.61/sq ft

*Source: CON approved applications for years 2011 through 2013*

**Historical Data Chart**

Since this is a new facility under different ownership, a historical data chart was not provided.

**Projected Data Chart**

The applicant projects \$7,280,110.00 in total gross revenue on 21,900 patient days during the first year of operation increasing by approximately 84.6% to \$13,444,366 on 40,296 patient days in Year Two (approximately \$333.64 per day). The Projected Data Chart reflects the following:

- Net operating income is estimated at a loss of (\$486,890) in Year 1 increasing to \$1,191,712 in Year 2.
- Excluding depreciation (average of \$70,385/year), projected NOI calculates to approximately -5.8% of gross revenues in Year 1 increasing to 8.3% in Year 2.
- Deductions from operating revenue for bad debt, charity care, and contractual adjustments are estimated at \$4,076,105 or approximately 30.3% of total gross revenue in Year 2.
- Charity care represents approximately 1.5% of total gross revenue in Year 1 and Year 2 equaling to \$108,000 (324 days) and \$198,000 (593 days), respectively.

**Charges**

In Year 1 of the proposed project, the average charges are as follows:

- The proposed average gross charge is \$332 in Year 1.
- The average deduction is \$101/day, producing an average net charge of \$231 per day.

**Medicare/TennCare Payor Mix**

- Medicare-Charges will equal \$962,547 in Year 1 representing 19% of total net revenue.
- TennCare/Medicaid-Charges will equal \$2,583,679 in Year 1 representing 51%.



### **Financing**

An April 10, 2014 letter from Renasant Bank confirms favorable discussions with the applicant of a \$12,000,000.00 20-year commercial loan with an interest rate of 4.23% to fund the proposed project.

### **Staffing**

Proposed direct patient care staffing in Year 1 includes the following:

- 4.0 FTE Nursing Administration
- FTE Staff RN
- 11.8 FTE Staff LPN
- 35.5 FTE Certified Nursing Assistant (CNA)
- 2.5 FTE Activities and Chaplain, and
- 2.0 Social Services

### **Licensure/Accreditation**

Licensure -Tennessee Department of Health.

Accreditation-The Joint Commission.

*Corporate and property documentation are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **two** years.

### **CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

### **CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no Letters of Intent, denied applications, or pending applications for other health care organizations in the service area proposing this type of service.

### **Outstanding Certificates of Need**

NHC at Indian Path, LLC, CN1212-059A, has an outstanding certificate of need that will expire on July 1, 2015. The CON was approved at the May 22, 2013 Agency meeting for the replacement and relocation of the 22 bed Indian Path Medical Center Transitional Care Unit and the addition of 30 new Medicare certified skilled nursing home beds. The facility will relocate from Indian Path Medical Center at 2000 Brookside Drive to 2300 Pavilion Drive, Kingsport

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(Sullivan County), TN. The new facility will be licensed as NHC at Indian Path and will contain 52 Medicare-only (skilled) nursing home beds. The estimated project cost is **\$10,385,615.00**. *Project Status: According to an update from a management representative of NHC on 4/25/14, the construction phase of the project is in progress.*

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

*PME (07/07/14)*

# **LETTER OF INTENT**



The published Letter of Intent contains the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**COPY**

**-Application**

**Christian Care**

**center of**

**Bristol, LLC**

**CN1404-012**

APR 15 '14 PM 1:34

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**CHRISTIAN CARE CENTER OF BRISTOL**

**Construction of a Replacement Facility and the  
Relocation of 120 Licensed Nursing Home Beds**

**Sullivan County, Tennessee**

**April 15, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**SECTION A:****APPLICANT PROFILE****1. Name of Facility, Agency, or Institution**

Christian Care Center of Bristol

**Name**

2830 Highway 394

**Street or Route**

Bristol

**City**

TN

**State**

Sullivan

**County**

37620

**Zip Code****2. Contact Person Available for Responses to Questions**

Jerry W. Taylor

**Name**

Stites &amp; Harbison, PLLC

**Company Name**

401 Commerce Street, Suite 800

**Street or Route**

Attorney

**Association with Owner**

Nashville

**City**

TN

**State**

615-782-2228

**Phone Number**

Attorney

**Title**

jerry.taylor@stites.com

**Email address**

37219

**Zip Code**

615-742-0302

**Fax Number****3. Owner of the Facility, Agency or Institution**

Christian Care Center of Bristol, LLC

**Name**

2020 Northpark, Suite 2D

**Street or Route**

Johnson City

**City**

TN

**State**

423-975-5455 x 307

**Phone Number**

Sullivan

**County**

37604

**Zip Code****4. Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or

G. Political Subdivision)

H. Joint Venture

I. Limited Liability Company

Other (Specify) \_\_\_\_\_

X

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Organizational documentation is attached as Attachment A, 4.

5. **Name of Management/Operating Entity (If Applicable)**

Care Centers Management Consulting, Inc.  
**Name**

2020 Northpark, Suite 2D  
**Street or Route**

Johnson City  
**City**

TN  
**State**

Washington  
**County**  
37604  
**Zip Code**

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Christian Care Center of Bristol, LLC will enter into a Management Consulting and Services Agreement with Care Centers Management Consulting, Inc. A copy of a draft agreement is attached as Attachment A, 5. Under the Agreement, CCCB is solely responsible for operations and patient care provided at the facility.

6. **Legal Interest in the Site of the Institution (Check One)**

- |                             |                          |
|-----------------------------|--------------------------|
| A. Ownership                | D. Option to Lease       |
| B. Option to Purchase       | E. Other (Specify) _____ |
| C. Lease of <u>15</u> Years | X                        |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

A copy of the Contract to Purchase Real Estate with Bristol Real Estate Investors, LLC ("BREI") as Buyer, and a copy of the Lease from BREI to Christian Care Center of Bristol, LLC are attached as Attachment A, 6.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

- |  |   |   |
|--|---|---|
| A. Hospital (Specify) _____  | I. Nursing Home                                 | X |
| B. Ambulatory Surgical<br>Treatment Center (ASTC),<br>Multi-Specialty    | J. Outpatient Diagnostic Center                 |   |
| C. ASTC, Single Specialty  | K. Recuperation Center                          |   |
| D. Home Health Agency  | L. Rehabilitation Facility                      |   |
| E. Hospice   | M. Residential Hospice                          |   |
| F. Mental Health Hospital  | N. Non-Residential Methadone<br>Facility        |   |
| G. Mental Health Residential<br>Treatment Facility                       | O. Birthing Center                              |   |
| H. Mental Retardation<br>Institutional Habilitation<br>Facility (ICF/MR) | P. Other Outpatient Facility<br>(Specify) _____ |   |
|  | Q. Other (Specify) _____                        |   |



8. **Purpose of Review** (*Check*) as appropriate--more than one response may apply)

- |                                   |   |                                      |   |
|-----------------------------------|---|--------------------------------------|---|
| A. New Institution                |   | G. Change in Bed Complement          |   |
| B. Replacement/Existing Facility  | X | [Please note the type of change by   |   |
| C. Modification/Existing Facility |   | <u>underlining the appropriate</u>   |   |
| D. Initiation of Health Care      |   | <u>response: Increase, Decrease,</u> |   |
| Service as defined in TCA §       |   | <u>Designation, Distribution,</u>    |   |
| 68-11-1607(4)                     |   | <u>Conversion, Relocation]</u>       |   |
| (Specify) _____                   |   | H. Change of Location                | X |
| E. Discontinuance of OB Services  |   | I. Other (Specify) _____             |   |
| F. Acquisition of Equipment       |   | _____                                |   |

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

9. **Bed Complement Data** \*(Please see the explanatory note immediately following this chart)  
*Please indicate current and proposed distribution and certification of facility beds.*

	<u>Current Beds Licensed *CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	120	0	0	0
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	0	0	0	120
P. ICF/MR	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____
<b>TOTAL</b>	120	0	120	120

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A, 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB has never operated the nursing home at its current site. CCCB will seek Medicare and Medicaid certification upon licensure of the replacement facility, and all 120 beds will be dually certified. This application does not add any new licensed beds.

10. **Medicare Provider Number:** To be applied for  
**Certification Type:** Skilled Nursing Facility

11. **Medicaid Provider Number:** To be applied for  
**Certification Type:** Skilled Nursing Facility

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

This is a replacement facility. Medicare and Medicaid certification will be sought. Please see the explanatory note immediately following the Bed Complement Data Chart.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

UnitedHealthcare Community Plan

BlueCare

TennCare Select

**Will this project involve the treatment of TennCare participants?**

Yes

**If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

CCCB will negotiate with all TennCare plans in the region to reach mutually agreeable provider agreements.

**Discuss any out-of-network relationships in place with MCOs/BHOs in the area.**

N/A.

**NOTE:** *Section B* is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. *Section C* addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

### **Project Description**

The applicant, Christian Care Center of Bristol ("CCCB") acquired operations of a 120 bed nursing home located in Bristol, Sullivan County formerly known as Bristol Nursing Home ("BNH"), and became the licensee thereof effective October 1, 2013. The license was placed in Inactive Status as approved by the Tennessee Board for Licensing Healthcare Facilities ("BLHCF") effective September 11, 2013. The Inactive Status is effective through September 11, 2015, unless subsequently extended by BLHCF.

The applicant seeks authorization for a replacement facility, which will be constructed by a company under identical ownership with CCCB, which facility will be leased to CCCB, on a site located approximately 8 miles from the current site, also in Bristol, Sullivan County, and to relocate all 120 beds to the new replacement facility. Upon licensure the beds will be placed back into operation and the nursing home will operate under the current name Christian Care Center of Bristol. The facility will participate in the Medicare and Medicaid programs, and the beds will be dually certified.

### **Services & Equipment**

There will be no change in services to those for which the nursing home is currently licensed to provide. Both skilled and intermediate level nursing services, as well as therapy services, will be provided at CCCB. All necessary and routine medical equipment will be acquired and utilized at the new replacement facility. No major equipment is involved in this project.

### **Ownership Structure**

The owner of CCCB is Christian Care Center of Bristol, LLC, a Tennessee limited liability company (the "Company"). The Company is owned by two individual members: J.R. Lewis holds 60% ownership interest, and Grant T. Miller holds 40% ownership interest. Both J.R. Lewis and Grant T. Miller have substantial background and experience in owning and operating nursing homes in Tennessee. They jointly own 3 nursing homes in Tennessee, and Mr. Lewis

has majority or close to majority ownership interests in 9 nursing homes, including CCCB, in Tennessee.

#### Service Area

For purposes of this application the service area is Sullivan County. In 2011 (the last year for which BNH filed a Joint Annual Report), 88% of the Tennessee residents served at BNH were residents of Sullivan County.

#### Need

The approval of this project will not add any newly licensed nursing home beds; it is a relocation of existing, licensed beds.

The existing nursing home beds and facilities in Sullivan County have experienced consistently healthy utilization over the past 3 years. The county-wide average annual occupancy rates are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

The 3 year county-wide average occupancy rate including the 120 beds being relocated is 89%. This is very healthy utilization and demonstrates there is a sustained strong demand for nursing home care in the service area.

The average annual occupancy rates for Bristol Nursing Home were 82% in 2010, 82% in 2011, and 92% in 2012. This is a 3 year average of 85% occupancy. The 85% 3 year average occupancy rate at the old BNH facility was very healthy, considering the age and general condition of the facility, and its location. There is clearly an adequate existing demand for these licensed beds to be put into operation at a new replacement facility.

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

#### Existing Resources

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County have experienced consistently healthy utilization over the past 3 years. The county-wide average annual occupancy rate was

89% between 2010-2012 (see discussion in the immediately preceding response).

According to the Department of Health calculations, there is a need for an additional 577 nursing home beds in Sullivan County for the year 2016. This is in addition to the 120 beds already licensed to CCCB, and the 30 outstanding CON approved beds.

#### Project Cost & Funding

The estimated project cost is \$11,926,911, exclusive of the filing fee. The largest single cost component is the estimated construction costs of \$8,964,440. For the 52,732 square foot facility, this equates to an average cost per square foot of \$170.00. This cost per square foot is slightly above the median cost for new nursing home construction approved by the HSDA for similar projects between 2010-2012, but is below that of the 3<sup>rd</sup> Quartile of such approved costs.

The project will be funded through a commercial loan. Documentation of access to funding is provided at the appropriate portion of the application.

#### Financial Feasibility

The project is financially feasible. CCCB will experience a modest negative net operating revenue in Year 1, and will produce a comfortable positive net operating income in Year 2. If additional working capital is needed in Year 1, the applicant will have a \$1 million line of credit it can draw upon. Documentation of access to such working capital is provided at the appropriate portion of the application. Achieving a comfortable operating gain after only one year of operation at a modest loss demonstrates the project is financially feasible.

#### Staffing

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The applicant does not anticipate difficulty in filling the needed positions. The owners of CCCB, being experienced in the operations of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

## **II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.**

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this**

project.

**If the project involves none of the above, describe the development of the proposal.**

The site will be purchased and the building will be constructed by Bristol Real Estate Investors, LLC ("BREI"). The ownership of BREI is the same as that of the applicant: 60% is held by J.R. Lewis and 40% is held by Grant T. Miller. BREI will enter into a long term lease agreement with the applicant, Christian Care Center of Bristol, LLC ("CCCB"). CCCB will be the operator and the licensee of the facility.

The facility to be constructed will be a single story building consisting of approximately 52,732 square feet. It will have 36 private beds and 84 semi-private beds. It will include therapy space consisting of approximately 1,435 square feet. It will have ample ancillary space such as dining, activities areas, and informal family visitation and relaxation areas.

The estimated cost of construction is \$8,964,440.00, or an average cost per square foot of \$170.00. A completed Square Footage and Cost per Square Footage Chart is attached following this response.

The site is located on approximately 5 acres of land fronting State Route 394 near the intersection of Feathers Chapel Road within the city limits of Bristol, Tennessee.

**B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

This project involves the relocation of 120 licensed nursing home beds. The reason for the relocation is the need for a replacement facility, due to the age and general condition of the existing facility. The existing facility is approximately 50 years old with all semi-private resident rooms, and although no specific cost estimates of a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option. In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational, and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

All 120 beds (of the Tennessee facility, f/k/a Bristol Nursing Home) are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A, 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB has never operated the nursing home at its current site. CCCB will seek Medicare and Medicaid certification upon licensure of the replacement facility and all 120 beds will be dually certified. This application does not add any new licensed beds.





**C. As the applicant, describe your need to provide the following health care services (if applicable to this application):**

N/A. No new beds or new services are being proposed.

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**D. Describe the need to change location or replace an existing facility.**

This project involves the relocation of 120 licensed nursing home beds, and the construction of a replacement facility. The relocation and replacement facility are needed due to the age and general condition of the existing facility. The existing facility is approximately 50 years old with all semi-private resident rooms, and virtually every major system, as well as the structure, are outdated and in need of replacement. Although no specific cost estimates of a total renovation of the facility have been sought or received, such an alternative is clearly not desirable or the most feasible option. In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

**E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:** N/A. No major medical equipment is involved in this project.

1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:

1. Total cost ;(As defined by Agency Rule).
  2. Expected useful life;
  3. List of clinical applications to be provided; and
  4. Documentation of FDA approval.
- b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
    - a. List all sites that will be served;
    - b. Provide current and/or proposed schedule of operations;
    - c. Provide the lease or contract cost.
    - d. Provide the fair market value of the equipment; and
    - e. List the owner for the equipment.
  3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

*Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.*

A plot plan of the site is attached as Attachment B, III, (A).

(B)

1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The site is located on State Route 394, a major 4 lane thoroughfare, within the city limits of Bristol, Tennessee. The site is not on a public transportation route, but is easily accessible to patients and their families.

- IV. **Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.**

**NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.**

A floor plan for the proposed facility is attached as Attachment B, IV. In order to improve legibility, there are 6 break-out sections of the floor plan, with match-up guide lines. Please note sections B|C get overlaid twice (making three overlapping layers).

- V. **For a Home Health Agency or Hospice, identify:**

N/A.

- 1. Existing service area by County;**
- 2. Proposed service area by County;**
- 3. A parent or primary service provider;**
- 4. Existing branches; and**
- 5. Proposed branches.**

## **SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

### **QUESTIONS**

#### **I. NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
  - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

#### **Five Principles for Achieving Better Health from the Tennessee State Health Plan:**

##### **1. Healthy Lives**

The purpose of the State Health Plan is to improve the health of Tennesseans. Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This is a policy statement, to which no response is necessary.

## **2. Access to Care**

**Every citizen should have reasonable access to health care. Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.**

The age and seriously deteriorated condition of the existing facility caused it to be a less than appropriate facility for the residents, which created a barrier to patients and their families of appropriate nursing home accommodations. The new facility will be much more attractive and comfortable for residents. The closest nursing home to the existing site is approximately 3 miles, whereas the closest nursing home to the new facility is approximately 6.5 miles. So the proposed new location would improve geographic accessibility to nursing home care.

## **3. Economic Efficiencies**

**The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

The replacement facility will be more efficient to operate. While no comparative studies have been made, it is obvious that a new facility will be more energy efficient and will require less repair and maintenance. The design will incorporate the most current and proven models for lay out, patient flow and similar considerations.

## **4. Quality of Care**

**Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

The owners and principals of the applicant have considerable experience and success in acquiring and turning around distressed or under-performing nursing homes. It is to be emphasized the termination of the Medicare and Medicaid certification for the existing facility (f/k/a Bristol Nursing home) occurred under previous ownership. The majority owner of CCCB, J. R. Lewis, has substantial experience in the ownership and operation of nursing homes in Tennessee. CCCB will provide the highest quality of care and will meet or exceed all licensure standards. In addition,

the applicant is confident it will receive and maintain Medicare and Medicaid certification for the replacement facility and will maintain compliance with all applicable standards.

## **5. Health Care Workforce**

**The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The owners of CCCB, being experienced in the operation of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

### **CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE FACILITIES. (Guidelines for Growth)**

- 1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

N/A. No new beds or services are involved in the project.

- 2. For relocation or replacement of existing licensed health care institution:**
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

The applicant has not caused any such studies or estimates to be prepared. The time and cost required to do so would not be a wise investment when the need for a replacement facility is so obvious. Please see the discussion in response to question 3, b, below.

- 3. For renovation or expansions of an existing licensed health care institution:**
  - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County, including these 120 beds, have experienced consistently healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 3 a, (1). The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

The 3 year county-wide average occupancy rate, including these 120 beds, is 89%. This is very healthy utilization and demonstrates there is a sustained strong demand for nursing home care in the service area.

The average annual occupancy rates for Bristol Nursing Home were 82% in 2010, 82% in 2011, and 92% in 2012. This is a 3 year average of 85% occupancy. BNH did not file a Joint Annual Report for 2012, or at least it is not posted on the Department of Health website. Utilization for BNH for 2012 was taken from its 2012 Medicaid Cost Report, obtained from the Comptroller of the Treasury.

The 85% 3 year average occupancy rate at the old BNH facility was very healthy, considering the age and general condition of the facility, and its location. There is clearly an adequate existing demand for these licensed beds to be put into operation at a new replacement facility.

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.**

The existing facility is approximately 50 years old. Major areas which are inadequate and/or antiquated include the following:

- All resident rooms are semi-private, and smaller than called for under current codes.
- The resident room doors are currently 3'8" and are required to be 3'10".
- The roof on the entire complex needs to be replaced.
- There is a strong suspicion of asbestos throughout the complex that would need to be addressed.
- The heating and cooling system is antiquated throughout and not adequate to maintain the air temperature and quality.
- The building has a less than homelike environment, and interior finishes throughout would need to be updated.
- Fire alarm system is not to current standards and would need to be updated.
- Emergency power system is antiquated and not to current standards and would need to be replaced.
- Corridors are less than the 8' standard width.
- Almost all building and equipment components associated with the existing facility have exceeded their useful lives and are in need of replacement.
- The exterior of the building is dated and in need of significant repair.
- The windows throughout are dated, not energy efficient and in need of replacement.
- The plumbing fixtures are beyond their useful lives and in need of replacement.
- The nurse call systems are antiquated and in need of replacement.

A total renovation of the facility would not only be extremely expensive, but it would require the facility to be brought up to current building codes and licensure standards. This facility could likely not meet those standards due to space limitations. And there is not sufficient land at the site for an expansion, which would be necessary to meet the space requirements.

In addition to these problems with the physical plant, the current location is problematic, which exacerbates the fact that operating the facility as is, or undertaking a total renovation at the current site, is not desirable and not the most feasible option. The existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by



an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

**[End of Responses to State Health Plan and Guidelines for Growth]**

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)**

N/A.

- 2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

As of now the applicant has no long-range development plans for this facility, beyond its successful construction, development and operation.

- 3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11"**

For purposes of this application the service area is Sullivan County. In 2011 (the last year for which BNH filed a Joint Annual Report), 88% of the Tennessee residents served at BNH were residents of Sullivan County.

A map of the service area is attached as Attachment C, I, Need, 3.

- 4. A. Describe the demographics of the population to be served by this proposal.**

A table reflecting the demographics of the service area is attached as Attachment C, I, Need, 4.

**B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

There are no known or readily apparent special needs in the service area compared to other counties or the state as a whole. All citizens of Tennessee need to have reasonable access to quality long term care.

The service area has a slightly lower rate of TennCare enrollment than the state as a whole. The service area has a lower median household income than the state as a whole, but it has a lower percentage of the total population living below poverty level than the state as a whole. CCCB will participate in TennCare as well as Medicare. In

addition, the applicant has allocated an amount to charity care equal to approximately 1.5% of gross charges.

As reflected on the attached demographics table, the only notable deviation between the demographics of Sullivan County and the state as whole is that 22% of Sullivan County residents are projected to be in the 65+ age group in 2016, as compared to 15.5% of the state population as a whole. This indicates a greater need for access to long term care in Sullivan County.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.**

There are 8 nursing homes in Sullivan County, including CCCB (f/k/a Bristol Nursing Home). There is an unimplemented CON held by NHC at Indian Path, LLC (CN1212-059) to re-locate 22 beds at the Indian Path Transitional Care Unit to a different site, and to add 30 skilled nursing beds.

The existing nursing home beds and facilities in Sullivan County, including these 120 beds, have experienced consistently healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 3 a, (1). The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.

- 6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the**

**details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.**

Historical Utilization:

2012:	92%
2011:	82%
2010:	82%

Projected Utilization:

Year 1:	50%
Year 2:	92%

The factors taken into consideration in reaching the projected utilization include the historical utilization of the facility under the previous ownership, the historical performance of other nursing homes in the service area, and the increased visibility and desirability of the new replacement facility in the market place.

County-wide, the average annual occupancy rate, including these 120 beds, has averaged 89% between 2010-2012. This is very healthy utilization and indicates a strong demand for nursing home care in the area. Under the previous ownership, despite being housed in an aging facility with a less than ideal location, BNH averaged 85% occupancy between 2010-2012. In its last full year of operation (2012) it experienced a 92% occupancy rate.

Based on these trends, the applicant projected it could realize that same occupancy -- 92% -- by its second year of operation. Although the beds have been in Inactive Status, the applicant is confident patients will utilize the new replacement facility at the same or higher rate than was the case at BNH, based on the following considerations:

- A new, attractive and appealing facility
- High quality care being provided at the new facility
- Increasing demand as the population ages
- Need for additional nursing home beds as indicated by the bed need calculations of the Department of Health
- Business and marketing acumen of the new owners

Realizing there is some ramp-up time for any new facility, including the necessity of some time to earn a reputation for high quality and compassionate care, the applicant discounted the utilization down to 50% for Year 1. This is an educated and experienced estimate, and the applicant believes it is on the conservative side. From

these projected occupancy rates, the applicant calculated the resulting number of patient days.

## **II. ECONOMIC FEASIBILITY**

**1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

- **All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
- **The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

**For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

A completed Project Costs Chart is attached following this response.

The amounts reflected on the Chart are reasonable estimates of the costs of developing the replacement facility. Although this will be a lease, the costs of land acquisition, construction, and interim financing (the "construction costs") are the most accurate cost estimate instead of the "fmv" of the lease for the following reasons: First, the lessor and the lessee have identical ownership (60% J.R. Lewis and 40% Grant T. Miller). Second, the construction costs are actual out of pocket capital costs, whereas the lease payments would be paid through operating revenues. Third, the lease is structured in a way that the total of the lease payments cannot be accurately calculated on the front end of the lease because, in part, the amount of annual lease payments will change based on ultimate long term financing (as opposed to the interim financing), and other factors which will not be determined until after the completion of construction at the earliest. Ultimately, the value of the lease is intended to cover or reimburse the owner/lessor for the construction costs,

so the two cost components (construction cost and lease value) are equivalent to each other. Accordingly, the applicant has documented herein all required aspects of a “construction” project as required by the application and rules. Please see the response to question C, 3 for further discussion of the reasonableness of estimated project costs.

A letter from the project architect is attached as Attachment C, II, Economic Feasibility,  
1.

## PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees		\$ 300,000.00
2. Legal, Administrative, Consultant Fees		\$35,000
3. Acquisition of Site		\$ 400,000.00
4. Preparation of Site		\$ 150,000.00
5. Construction Costs		\$ 8,964,440.00
6. Contingency Fund	7%	\$ 627,511.00
7. Fixed Equipment (Not included in Construction Contract)		
8. Moveable Equipment (List all equipment over \$50,000.00) Equipment included in Line A, 9.		
9. Other (Specify) <u>FF&amp;E (see attached list)</u>		\$ 1,074,960.00
B. Acquisition by gift donation, or lease:		
1. Facility (Inclusive of building and land)		
2. Building Only		
3. Land Only		
4. Equipment (Specify) _____		
5. Other (Specify) _____		
C. Financing Costs and Fees:		
1. Interim Financing (Construction Period Interest)		\$ 325,000.00
2. Underwriting Costs		\$ 50,000.00
3. Reserve for One Year's Debt Service*		
4. Other (Specify) _____		
D. Estimated Project Cost (A+B+C)		\$ 11,926,911.00
E. CON Filing Fee		\$ 26,835.55
F. Total Estimated Project Cost (D & E)		\$ 11,953,746.55
<b>TOTAL</b>		<b>\$ 11,953,746.55</b>

FF&E (Line A, 9)

Resident Room Furniture	\$492,000.00
Dining Room Furniture	\$50,000.00
Common Area Furniture	\$30,000.00
Office Furniture	\$20,000.00
Softgoods	\$80,000.00
Art	\$50,000.00
Signage	\$10,000.00
TVs	\$50,000.00
Overbed Lighting (Potentially under construction budget)	\$26,400.00
Logistics & Installation	\$47,360.00
Freight	\$35,520.00
<b>Furniture &amp; Equipment Total</b>	<b>\$891,280.00</b>

Rehab and Fitness	\$50,000.00
Environmental	\$30,000.00
Smallwares	\$27,000.00
Clinical	\$45,000.00
Textiles	\$12,000.00,
Logistics & Installation	\$11,480.00
Freight	\$8,200.00
<b>Start-up Supplies Total</b>	<b>\$183,680.00</b>

<b>Total FFE</b>	<b>\$1,074,960.00</b>
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**2. Identify the funding sources for this project.**

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)**

- X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

A funding letter is attached as Attachment C, II, Economic Feasibility, 2.

- \_\_\_ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- \_\_\_ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- \_\_\_ D. Grants--Notification of intent form for grant application or notice of grant award; or**
- \_\_\_ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- \_\_\_ F. Other—Identify and document funding from all other sources.**

**3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

The amounts reflected on the Chart are reasonable estimates of the costs of developing the replacement facility. The largest single cost component is the estimated construction costs of \$8,964,440. For the 52,732 square foot facility, this equates to an average cost per square foot of \$170.00. This cost per square foot is slightly above the median cost for new nursing home construction approved by the HSDA for similar projects between 2010-2012 (see table below). However, it is below that of the 3<sup>rd</sup> Quartile of such approved costs. Some higher cost is reasonable, based on 2014 dollars, as compared to 2010-2012 dollars. And, the construction quality and grade of the CCCB replacement facility will be above average. The architect is of the opinion this is a reasonable construction cost estimate for this project.



**Nursing Home Construction Cost Per Square Foot  
Years: 2010 – 2012**

	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
<b>1st Quartile</b>	\$19.30/sq ft	\$164.57/sq ft	\$73.23/sq ft
<b>Median</b>	\$35.76/sq ft	\$167.31/sq ft	\$164.57/sq ft
<b>3rd Quartile</b>	\$55.00/sq ft	\$181.72/sq ft	\$167.61/sq ft

Source: CON approved applications for years 2010 through 2012; HSDA website.

The estimated cost of the furniture, fixtures and equipment is \$1,074,960. This includes both medical equipment (beds, etc.) and non-medical equipment (kitchen equipment, furniture, etc.). The FFE cost is reasonable based on purchases from third party vendors, and benefits from the owners' experience as purchasers in the marketplace.

The land was acquired in an arms-length transaction and represents fair market value based on the experience of the owners and their agents, advisors and consultants.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

CCCB acquired the facility operations and became the licensee effective October 1, 2013. Since that time, the license has been on Inactive Status, as approved by the BLHCF. The applicant does not have access to the previous owner's financial information. Therefore, no Historical Data Chart is available.

A completed Projected Data Chart is attached on the following pages.

# **PROJECTED DATA CHART - Christian Care Center of Bristol**

Give information for the two (2) years following completion of this proposal. The fiscal year begins in January.

	<b>Year 1</b>	<b>Year 2</b>
A. Utilization/Occupancy Data (Specify unit of measure).	21,900 Patient Days 50% Occupancy	40,296 Patient Days 92% Occupancy
B. Revenue from Services to Patients		
1. Inpatient Services	\$ 7,204,384.00	\$ 13,305,029.00
2. Outpatient Services	\$	\$
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) (phone, cable & guest meals)	\$ 75,726.00	\$ 139,337.00
<b>Gross Operating Revenue</b>	<b>\$ 7,280,110.00</b>	<b>\$ 13,444,366.00</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 2,037,273.00	\$ 3,809,305.00
2. Provisions for Charity Care	\$ 108,000.00	\$ 198,000.00
3. Provisions for Bad Debt	\$ 68,800.00	\$ 68,800.00
<b>Total Deductions</b>	<b>\$ 2,214,073.00</b>	<b>\$ 4,076,105.00</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 5,066,037.00</b>	<b>\$ 9,368,261.00</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 1,876,688.00	\$ 2,987,200.00
2. Physicians' Salaries and Wages	\$ 30,038.00	\$ 30,070.00
3. Supplies	\$ 539,520.00	\$ 992,718.00
4. Taxes	\$ 599,963.00	\$ 753,652.00
5. Depreciation	\$ 62,877.00	\$ 77,893.00
6. Rent	\$ 880,747.00	\$ 887,580.00
7. Interest, other than Capital	\$ 17,213.00	\$ 31,672.00
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates	\$ 153,865.00	\$ 283,112.00
9. Other Expenses		
Specify: see attached	\$ 1,392,016.00	\$ 2,132,652.00
Total Operating Expenses	\$ 5,552,927.00	\$ 8,176,549.00
E. Other Revenue (Expenses)--Net		
Specify: _____		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (486,890.00)</b>	<b>\$ 1,191,712.00</b>
F. Capital Expenditures		
(na - Facility is leased)		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures	\$ -	\$ -
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ (486,890.00)</b>	<b>\$ 1,191,712.00</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ (486,890.00)</b>	<b>\$ 1,191,712.00</b>

## Christian Care Center of Bristol - Other Expenses - PROJECTIONS for Years 1 & 2

	Christian Care Center of Bristol (CCB)	Christian Care Center of Bristol (CCB)
Statement Date	Annual Projection	Annual Projection
Time Period	Year #1	Year #2
Licensed Beds	120	120
Days in Period	365	365
Average Occupancy	50.0%	92.0%

### OTHER EXPENSES

#### Administrative

Dues & Subscriptions	31,564	58,078
Telephone	19,000	19,000
Accounting Services	35,000	35,000
Legal Services	342	630
Insurance - Liability	50,000	50,000
Vehicle Expense	613	1,129
Travel	4,353	8,009
Advertising - Staff Procurement	1,531	2,817
Marketing & Public Relations	20,160	37,095
Purchased Services	47,000	47,000
Education	1,899	3,495
Billing & Collections Expense	52,170	95,993
Risk Management Expense	25,869	47,599
Patient Memorial Expense	2,071	3,811
Other Administrative Expenses	88	163
Customer Relations	6,789	12,492

#### Total Administrative Expense

**298,452**

**422,311**

#### Employee Benefits

Employee Insurance/Medical	80,845	148,754
Employee Relations	13,977	25,718
Workman's Comp. Insurance	28,476	52,396
Employee Paid Time Off	108,217	199,120
Benefits Administrative Cost	34,350	63,204
Employee Insurance - Life	1,538	2,829
Employee Insurance - LTD	2,691	4,952

#### Total Employee Benefits

**270,094**

**496,973**

#### Housekeeping

Pest Control	3,797	6,987
Education	98	181

#### Total Housekeeping

**3,895**

**7,167**

Background Check	210	387
Non-Emergency Transport	7,386	13,590
Education	1,528	2,811
EDCC Expense	35,066	64,521
MDS Expense	3,650	6,716

#### Total Nursing Expense

**47,840**

**88,025**

## Christian Care Center of Bristol - Other Expenses - PROJECTIONS for Years 1 & 2

	Christian Care Center of Bristol (CCB)	Christian Care Center of Bristol (CCB)
Statement Date	Annual Projection	Annual Projection
Time Period	Year #1	Year #2
Licensed Beds	120	120
Days in Period	365	365
Average Occupancy	50.0%	92.0%
<hr/>		
<b>Other</b>		
Bank Charges	5,900	5,900
Donations	8,000	8,000
Meals Related to Travel	336	618
<b>Total Other Expenses</b>	<b>14,236</b>	<b>14,518</b>
<hr/>		
<b>Plant Expenses</b>		
Natural Gas / Propane / Diesel	20,849	20,849
Electricity	134,871	134,871
Water & Sewer	41,082	41,082
Purchased Services	75,000	75,000
Education	94	173
Lawn Service	24,000	24,000
Furniture / Equip Replacement	20,000	20,000
Storage Space Rental	3,817	7,023
<b>Total Plant Expenses</b>	<b>319,712</b>	<b>322,997</b>
<hr/>		
<b>Property</b>		
Insurance - Bldg. & Equip.	16,462	16,462
<b>Total Property Expenses</b>	<b>16,462</b>	<b>16,462</b>
<hr/>		
<b>Recreation Expenses</b>		
Education	110	202
<b>Total Recreational Expense</b>	<b>110</b>	<b>202</b>
<hr/>		
<b>Social Services</b>		
Education	577	1,061
<b>Total Social Services</b>	<b>577</b>	<b>1,061</b>
<hr/>		
<b>Therapy Expenses</b>		
Contracted Services - P.T.	191,028	340,451
Contracted Services - S.T.	68,382	125,822
Contracted Services - O.T.	161,229	296,662
<b>Total Therapy Expenses</b>	<b>420,639</b>	<b>762,935</b>
<hr/>		
<b>TOTAL OTHER EXPENSES</b>	<b>1,392,016</b>	<b>2,132,652</b>

**5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Average Gross Charge: \$328.96 ppd (Inpatient revenue/patient days)  
Average Deduction: \$101.10 ppd (Total deductions/patient days)  
Average Net Charge: \$231.33 ppd (Net operating revenue/patient days)

**6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

As previously noted, the beds are currently on Inactive Status, so there are no current charges. Anticipated revenues are reflected on the Projected Data Chart.

**B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).**

A comparison of the projected CCCB charges for Year 1 (2016) to the actual charges of other facilities in the service area for 2012 is reflected below.

Facility	Average Net Charge PPD
Christian Care Center of Bristol (Projected Yr. 1)	\$231.33
Brookhaven Manor (2012)	\$344.26
Greystone Healthcare Center (2012)	\$98.28
Holston Manor (2012)	\$172.68
Indian Path T.C.U. (2012)	\$383.37
Cambridge House (2012)	\$162.79
Wexford House (2012)	\$228.51

Source: Joint Annual Reports for 2012

**7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.**

The projected utilization rates are reasonable and if anything conservative. Based on the projected utilization, the facility will have an operating loss in Year 1 and positive net operating revenue in year 2. Achieving a comfortable operating gain

after only one year of operation at a modest loss demonstrates the project is cost efficient.

- 8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.**

The Projected Data Chart reflects a negative NOI in Year 1. If taxes, depreciation and interest are added back in, there is a positive cash flow (EBITDA). If additional working capital is needed in Year 1, the applicant will have a \$1 million line of credit it can draw upon. A copy of interest in extending a line of credit from Carter County Bank is attached as Attachment C, II, Economic Feasibility, 8. As reflected on the Projected Data Chart, the facility will be operating with a comfortable profit in Year 2.

- 9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

CCCB will participate in both Medicare and Medicaid/TennCare. The projected payor mix for Year 1 is as follows:

Medicaid/TennCare:	51%
Medicare:	19%
Private pay:	21%
Commercial/managed care:	6%
Hospice:	3%

Projected TennCare/Medicaid net revenue:	\$2,583,679
Projected Medicare net revenue:	\$962,547

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Christian Care Center of Bristol, LLC is a new company and there are no financial statements for it.

The owners of CCCB are two individuals: J.R. Lewis (60%) and Grant T. Miller (40%). Financial statements for two other companies that are owned by Mr. Lewis and Mr. Miller in the same percentages are attached as Attachment C, II, Economic Feasibility, 10.

**11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.**

The only alternative is to maintain the status quo and operate the old BNH facility as is, or with extensive renovations. The existing facility is approximately 50 years old, and although no specific cost estimates of a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option. This alternative would not be less costly in the long run, due to inefficiencies and the need for continually escalating repairs and maintenance, and would not be more effective in the short term or long term.

A total renovation of the facility would not only be extremely expensive, but it would require the facility to be brought up to current building codes and licensure standards. This facility could likely not meet those standards due to space limitations. And there is not sufficient land at the site for an expansion, which would be necessary to meet the space requirements.

In addition, the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Over the years, this has caused the building to be licensed as two separate nursing homes – one licensed by Tennessee and one by Virginia. This has caused a number of administrative, operational, and regulatory challenges. The operations of the nursing home in the Virginia side of the facility have likewise been acquired by an different company, and it is also seeking approval in Virginia to relocate those beds to a replacement facility.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Although no specific cost estimates for a total renovation the facility have been sought or received, such an alternative is clearly not desirable and not the most feasible option (see discussion in the immediately preceding response). It is obvious that a new facility will be more energy efficient and will require less repair and maintenance. The design will also incorporate the most current and proven

models for lay out, patient flow and similar considerations. For all of these reasons, as well as those mentioned in the immediately preceding response, the best and most effective and efficient option is the replacement facility.

### **(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

- 1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

A list of all such health care providers or entities is attached as Attachment C, III, Orderly Development, 1.

- 2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.**

This project will have a positive effect by bringing a nice new nursing home facility to the service area, thereby increasing access and providing a more attractive option to those needing long term care services in the service area. It will also bring ancillary benefits by creating additional jobs in the local health care sector, and providing an economic stimulus.

The existing nursing home beds and facilities in Sullivan County have experienced healthy utilization over the past 3 years. A table reflecting the utilization data for 2010-2012 is attached as Attachment C, I, Need, 5. The county-wide average annual occupancy rates, including these 120 beds, are as follows:

<u>Year</u>	<u>Average Occupancy</u>
2012:	88%
2011:	90%
2010:	88%

In addition, according to the calculations of the Department of Health, there will be a need for 1,602 nursing home beds in Sullivan County in 2016. The calculated bed need from DOH is attached as Attachment C, I, Need, 3, a, (2). According to the Department of Health website there are currently 995 licensed nursing home beds in Sullivan County, and there are an additional 30 CON approved beds, for a total possible inventory of 1,025 beds (including the 120 CCCB beds). This results in there being a net need for an additional 577 beds for Sullivan County in 2016.



This project is a relocation of existing beds and will not add any new licensed beds to the service area. Since the CCCB beds are already licensed in the market, their relocation would not have a significant impact on the services or utilization of other existing providers.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities, so there is no current staffing. The proposed staffing for direct patient care positions only is reflected below.

<b>Position</b>	<b>FTE</b>	<b>Average Wage</b>	<b>Department of Labor Median Wage</b>
Administrator	1	\$48.61	Not listed
Nursing Administration	4	\$33.19	Not listed
Medical Records	1	\$18.30	Not listed
RN	2.6	\$28.79	\$23.40
LPN	11.8	\$20.43	\$16.40
C.N.A.	35.5	\$13.47	\$10.45
Activities and Chaplain	2.5	\$11.88	Not listed
Social Services	2	\$23.03	\$17.85

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

The applicant anticipates hiring approximately 60 FTE nursing, aide, and ancillary healthcare positions to staff the replacement facility. The applicant does not anticipate difficulty in filling the needed positions. The owners of CCCB, being experienced in the operations of nursing homes in Tennessee, are familiar with licensure standards and best practices relating to staffing, and will meet or exceed the same.

5. **Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing,**

**admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

The owners of CCCB are experienced and knowledgeable of nursing home operations, and hereby verify they understand and will comply with all licensure and certification requirements relating to the clinical and medical staff.

- 6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

CCCB is not involved in such programs now, but will likely pursue and/or entertain opportunities for such training programs in the future.

- 7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.**

The applicant hereby verifies it has reviewed and understands the licensure requirements of the Department of Health and applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.**

**Licensure:** Tennessee Board for Licensing Healthcare Facilities

**Accreditation:** Joint Commission

**If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.**

All beds are currently in Inactive Status as approved by the Board for Licensing Healthcare Facilities on September 11, 2013. The Inactive Status is effective until September 11, 2015 unless subsequently extended by the BLHCF. A copy of the approval letter from the BLHCF is attached as Attachment A, 9. Medicare and Medicaid certification of the facility was terminated by CMS when the facility was under prior ownership. The facility operations were acquired by and licensed to Christian Care Center of Bristol, LLC effective October 1, 2013. CCCB will apply for new Medicaid and Medicare provider numbers for the new replacement facility at the appropriate time.

A copy of the license is attached as Attachment C, III, Orderly Development, 7.

- 8. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an**

**approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.**

As explained above, the facility is not currently in operation. The applicant does not have copies of any prior survey(s) of BNH, and it would seem such survey(s) would not be relevant or applicable to this application, since (1) the applicant is a new owner with no association with the past owner; and (2) the new owner is seeking approval for a replacement facility.

- 9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

None.

- 10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.**

None.

- 11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

If this proposal is approved the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

## **PROOF OF PUBLICATION**

**Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.**

The Notice of Intent was published in the Bristol Herald Courier, a newspaper of general circulation in Sullivan County on April 10, 2014. A Publisher's Affidavit is attached on the following page.

## **DEVELOPMENT SCHEDULE**

**Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.**

- 1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

A completed Project Completion Forecast Chart is attached on the following page.

- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

N/A.

Tri-Cities/Southwest Virginia  
Regional Group

Advertising Affidavit

P.O Box 609  
Bristol, VA 24203  
(276) 669-2181

Account Number

2250338

Date

April 10, 2014

STITES&HARBISON PLLC  
401 COMMERCE STREET, SUITE 800  
NASHVILLE, TN 37219

Date	Category	Description	Ad Size	Total Cost
04/12/2014	Legal Notices	PUBLIC NOTICE - NOTIFICATION OF INTENT T	2 x 37 L	433.70

**NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Christian Care Center of Bristol, owned and managed by Christian Care Center of Bristol, LLC, which will have a Management Consulting and Services Agreement with Care Centers Management Consulting, Inc., intends to file an application for a Certificate of Need for the construction of a replacement facility and the relocation of its 120 bed nursing home. The nursing home is currently located at 261 North Street, Bristol, Sullivan County, Tennessee 37620. The site for the proposed replacement facility is an unimproved lot located at 2830 Highway 394, Bristol, Sullivan County, Tennessee 37620. Christian Care Center of Bristol is and will be licensed as a nursing home by the Tennessee Board for Licensing Health Care Facilities. No additional beds, change in services or major medical equipment are involved in this project. The estimated project cost is \$12,000,000.

The anticipated date of filing the application is April 15, 2014.

The contact person for this project is Jerry W. Taylor, Attorney, who may be reached at: Stites and Harbison, PLLC, 401 Commerce Street, Suite 800, Nashville, Tennessee, 37219, 615-782-2228.

Upon written request by interested parties, a local fact-finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
542 Desha Street  
Nashville, TN 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

**Publisher of the  
Bristol Herald Courier**

**This is to certify that the attached PUBLIC NOTICE - NOTIFICATION was published in the Bristol Herald Courier in the Commonwealth of Virginia, on the following dates:**

04/10/2014

**The First insertion being given ... 04/10/2014**

**Newspaper reference: 0000730706**

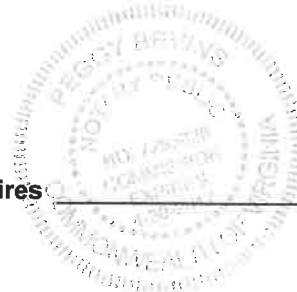
**Sworn to and subscribed before me this**

4-10-14

*Peggy Bryant*  
Notary Public

*Tracey Bryant*  
Accounting Clerk

State of Virginia  
My Commission expires



## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
July 2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

PHASE	DAYS REQUIRED	ANTICIPATED DATE (Month/Year)
1. Architectural and engineering contract signed	0	Jul/14
2. Construction documents approved by the Tennessee Department of Health	150	Nov/14
3. Construction contract signed	150	Nov/14
4. Building permit secured	180	Dec/14
5. Site preparation completed	270	Mar/15
6. Building construction commenced	300	Apr/15
7. Construction 40% complete	390	Jul/15
8. Construction 80% complete	510	Nov/15
9. Construction 100% complete (approved for occupancy	660	Apr/16
10. *Issuance of license	690	May/16
11. *Initiation of service	690	May/16
12. Final Architectural Certification of Payment	705	Jun/16
13. Final Project Report Form (HF0055)	720	Jun/16

**\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

**LIST OF ATTACHMENTS**  
**CHRISTIAN CARE CENTER OF BRISTOL**

Organizational documentation	<u>Attachment A, 4</u>
Management Services and Consulting Agreement	<u>Attachment A, 5</u>
Contract for Sale of Real Estate; Lease	<u>Attachment A, 6</u>
Inactive Status approval letter from BLHCF	<u>Attachment A, 9</u>
Plot Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
County-wide utilization data 2010-2012	<u>Attachment C, I, Need, 3 a, (1)</u>
Calculated bed need from DOH	<u>Attachment C, I, Need, 3, a, (2)</u>
Map of the service area	<u>Attachment C, I, Need, 3</u>
Demographics of the service area	<u>Attachment C, I, Need, 4</u>
Architect letter	<u>Attachment C, II, Economic Feasibility , 1</u>
Funding letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Line of credit letter	<u>Attachment C, II, Economic Feasibility, 8</u>
Financial statements	<u>Attachment C, II, Economic Feasibility, 10</u>
List of health care provider agreements	<u>Attachment C, III, Orderly Development, 1</u>
Nursing home license	<u>Attachment C, III, Orderly Development, 7</u>



STATE OF TENNESSEE  
DEPARTMENT OF HEALTH  
DIVISION OF HEALTH LICENSURE & REGULATION  
OFFICE OF HEALTH CARE FACILITIES  
227 FRENCH LANDING, SUITE 501  
HERITAGE PLACE METROCENTER  
NASHVILLE, TENNESSEE 37243  
TELEPHONE (615) 741-7221  
FAX (615) 741-7051

October 14, 2013

William West, Esq.  
Attorneys-At-Law  
Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.  
211 Commerce Street  
Baker Donelson Center, Suite 800  
Nashville, TN 37201

RE: Waiver request –License Inactive Status for Bristol Nursing Home, Bristol; License #260

Dear Mr. West:

The Board for Licensing Health Care Facilities met on September 11, 2013. The following request was granted:

**A WAIVER WAS GRANTED TO ALLOW BRISTOL NURSING HOME'S, BRISTOL, LICENSE TO BE PLACED ON INACTIVE STATUS FOR TWO (2) YEARS THROUGH SEPTEMBER 11, 2015.**

Board action was taken in accordance with Section 68-11-206, Chapter 11, Tennessee Code Annotated, which gives the Board authority to place a license in an inactive status.

**Please notify this office in writing of any changes to prove that you are meeting the requirement that was waived.**

If you have any questions you may contact this office at (615) 741-7221.

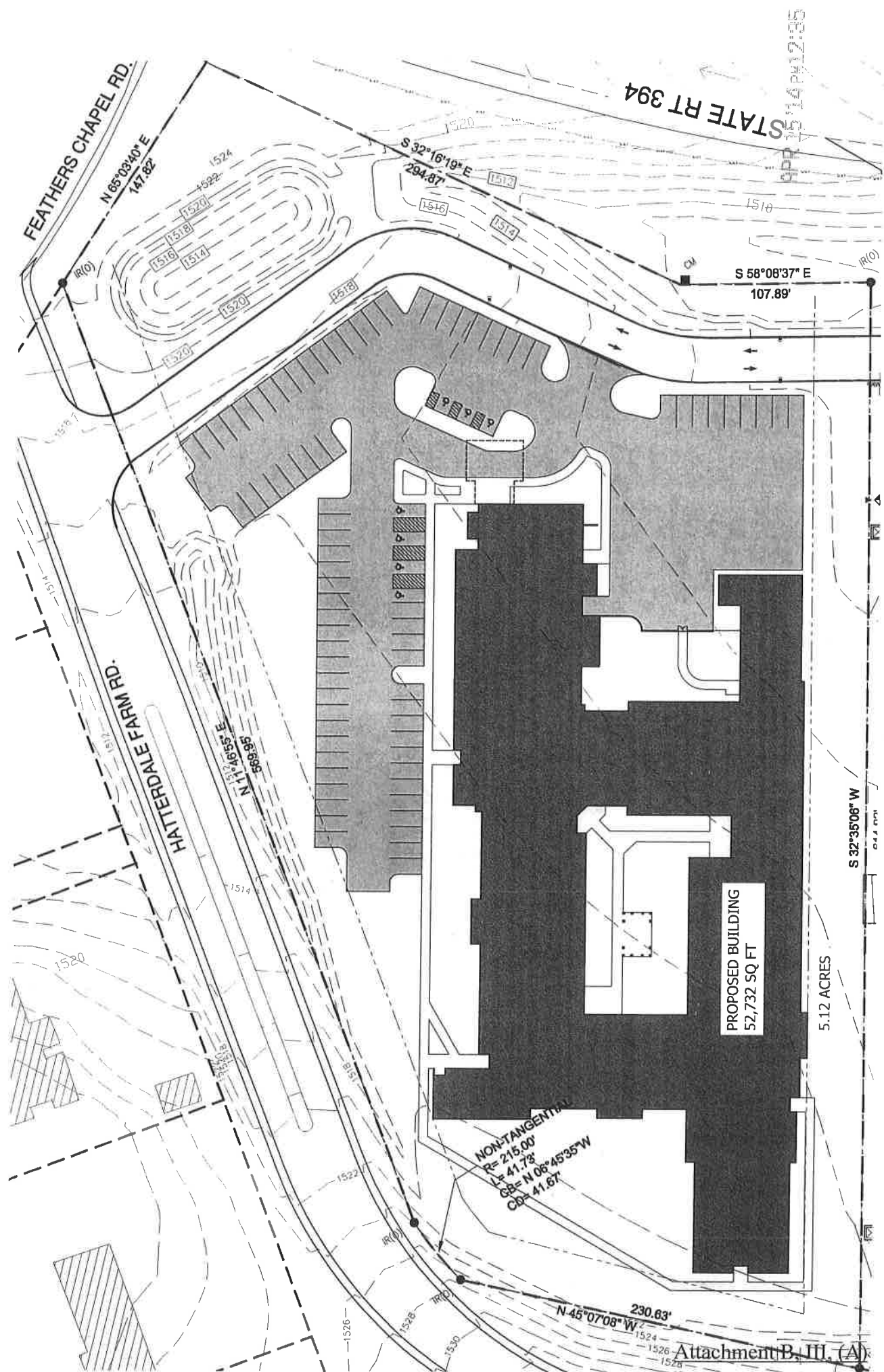
Sincerely,

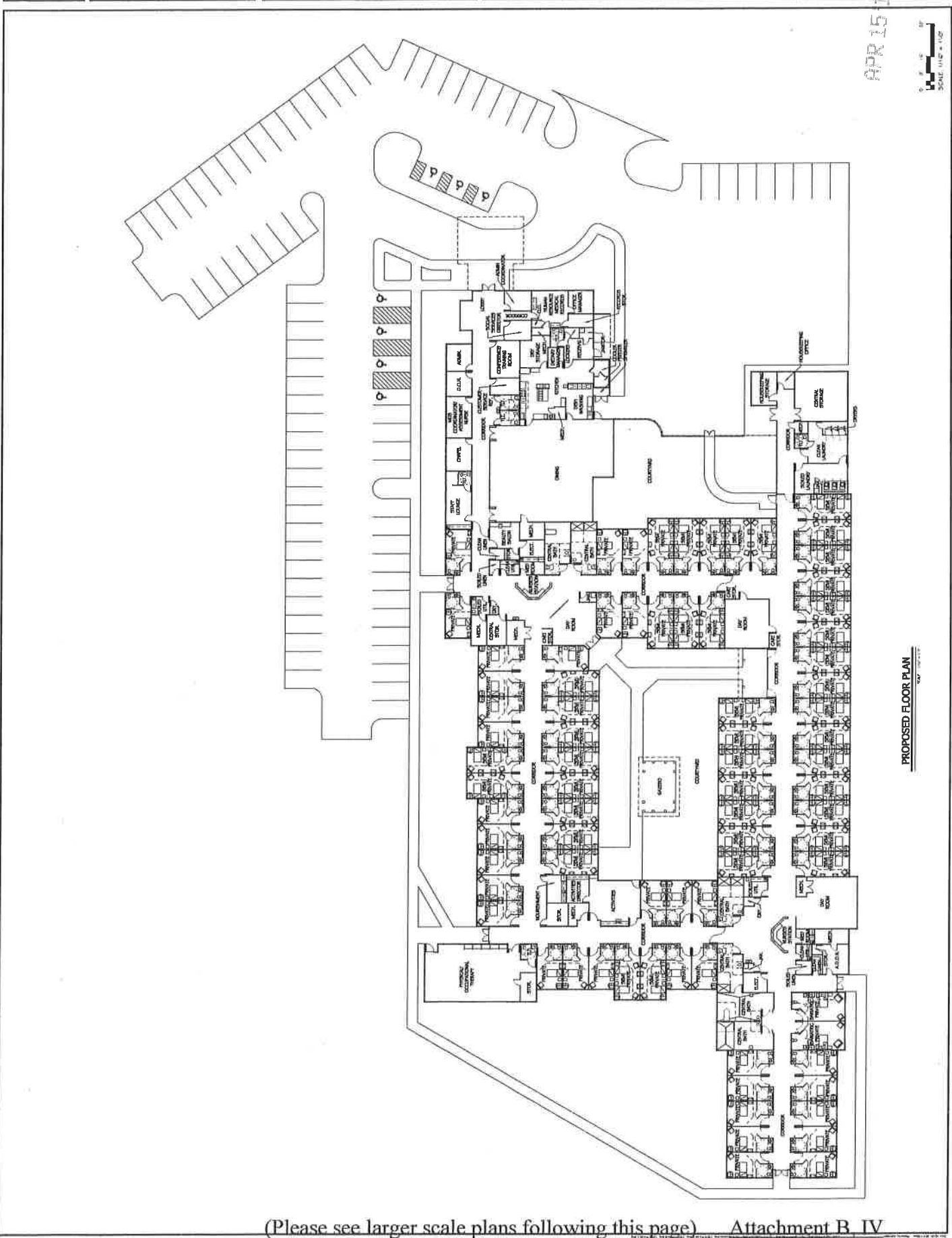
Ann Rutherford Reed, RN, BSN, MBA  
Director of Licensure  
Division of Health Care Facilities

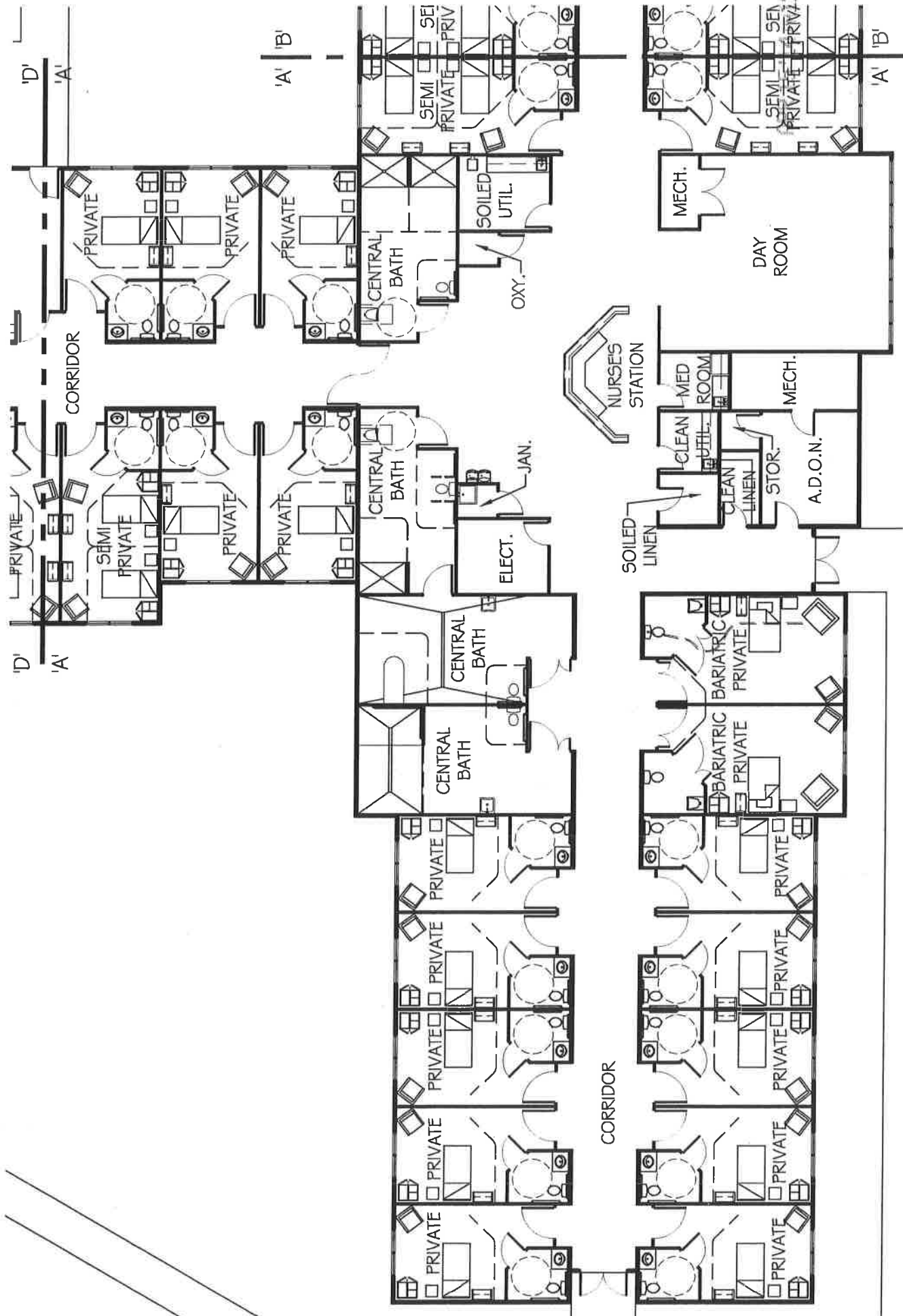
ARR/weh

cc: ETRO  
File  
Dee Ganaway

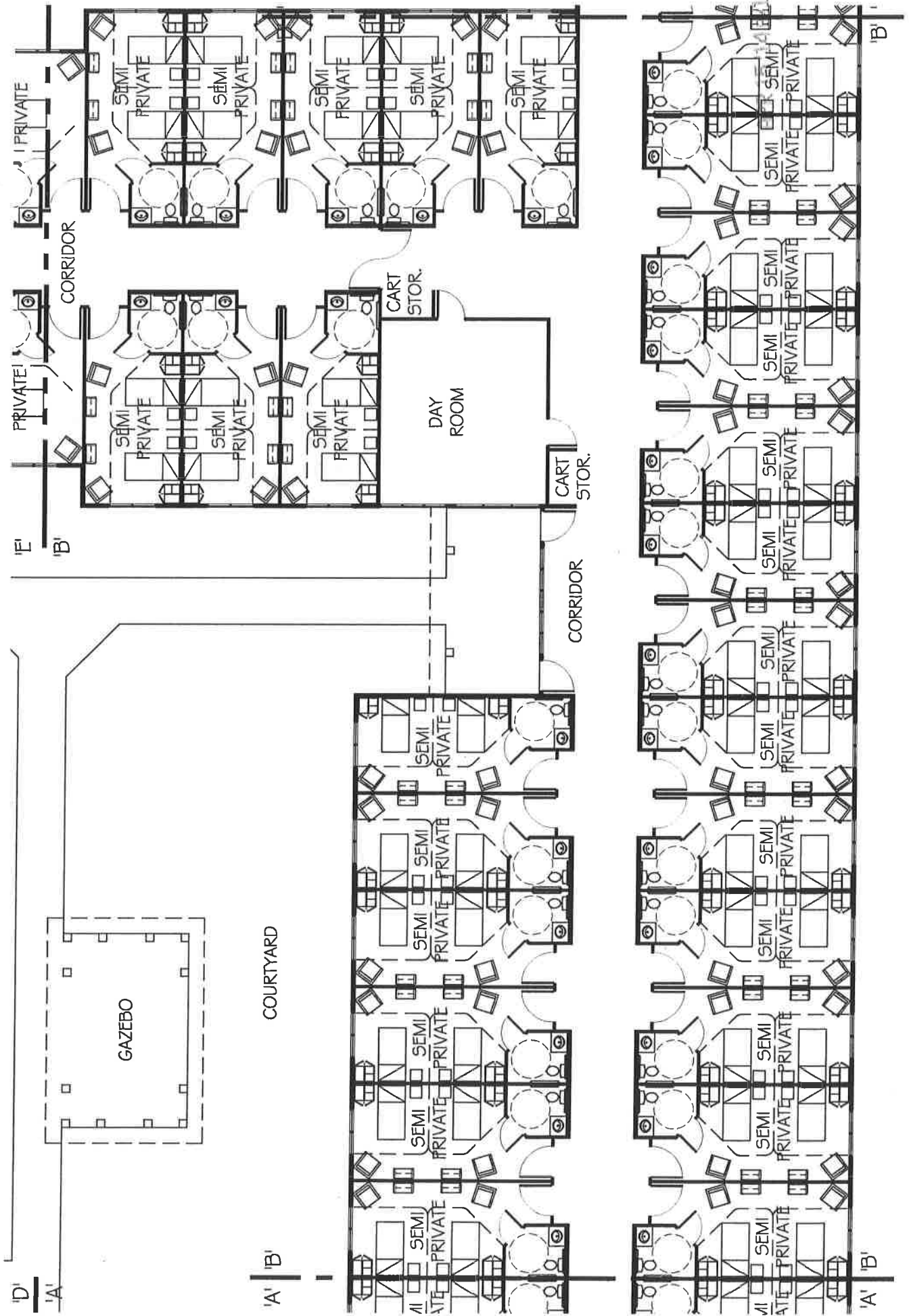




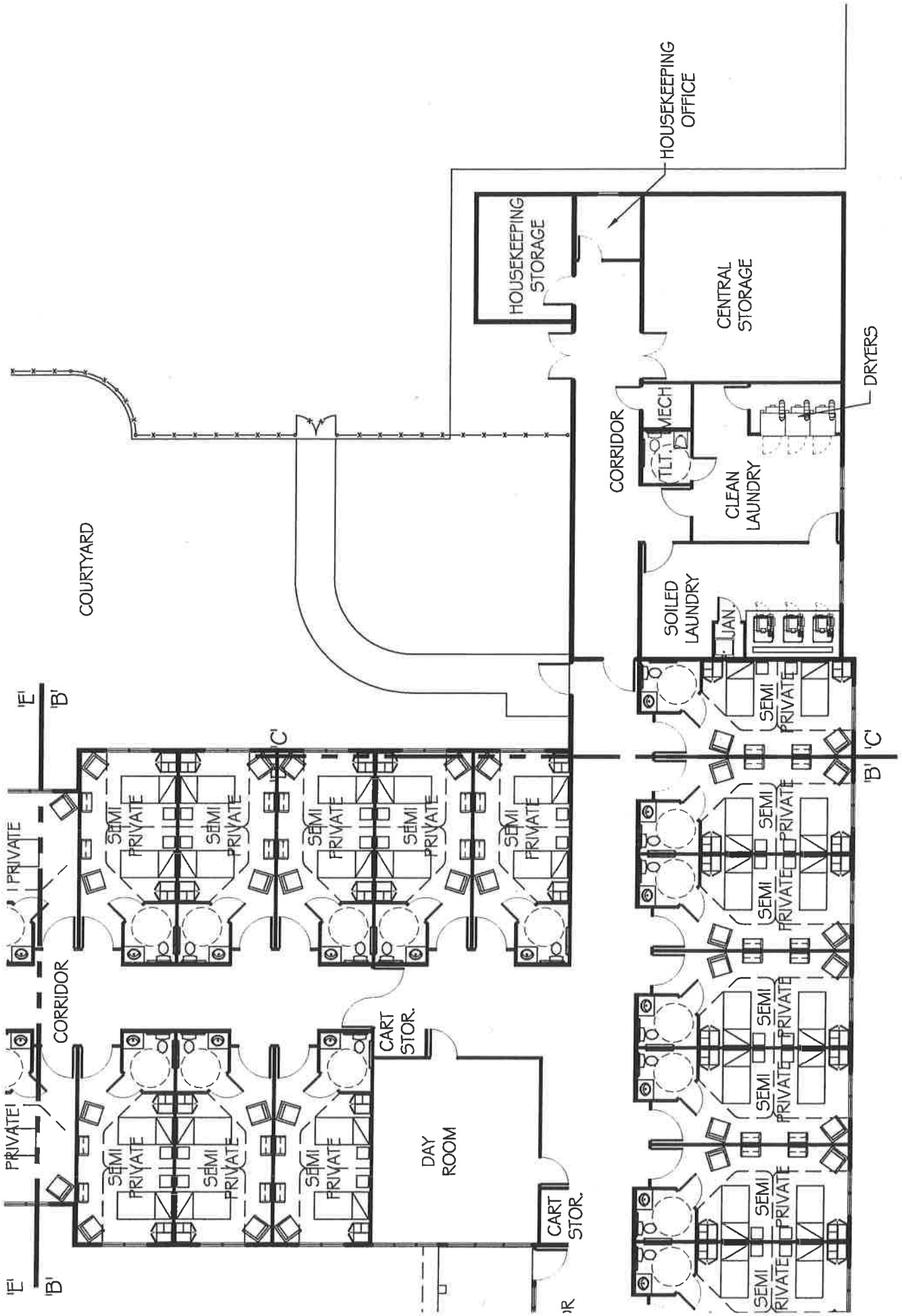




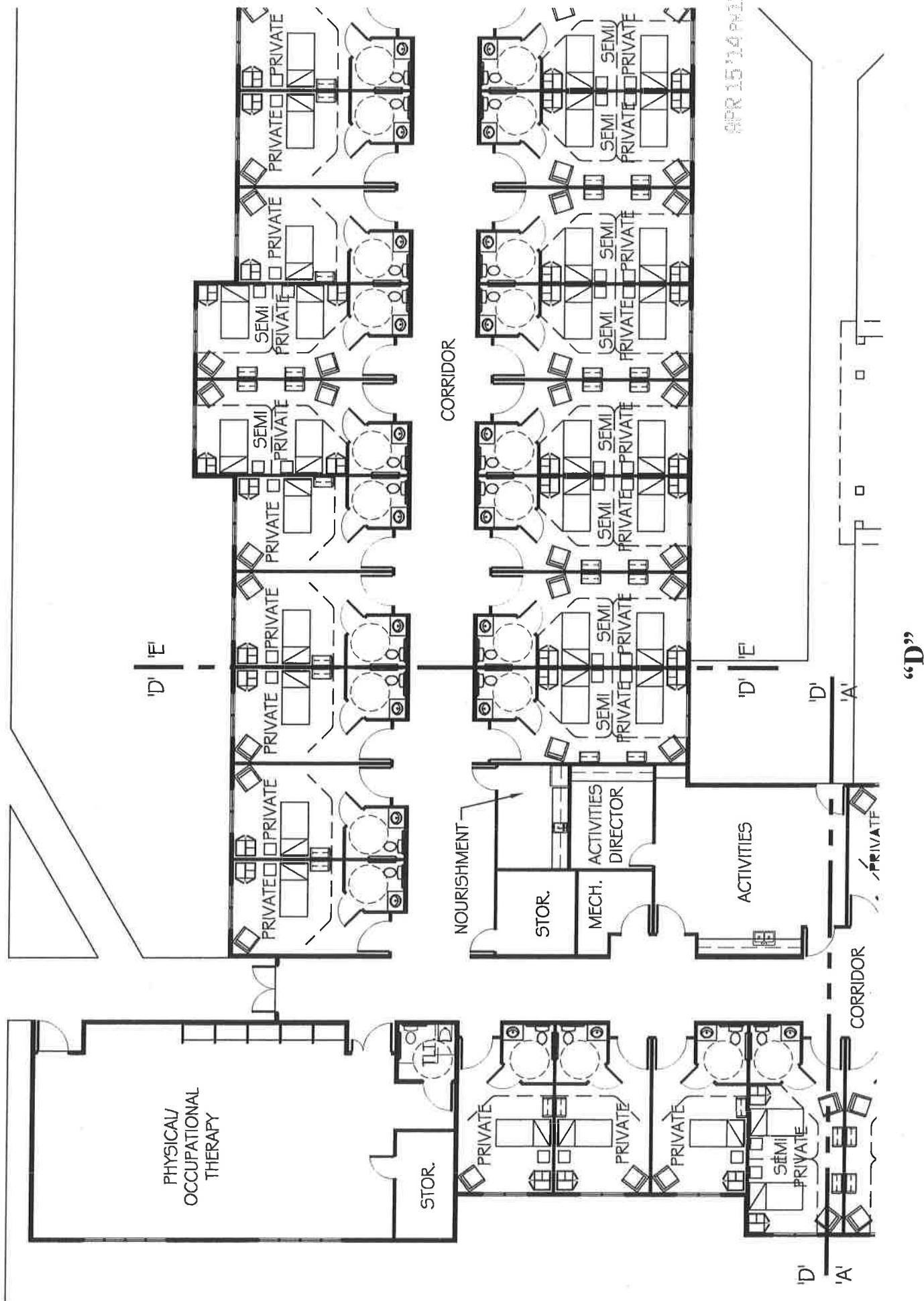
"A"



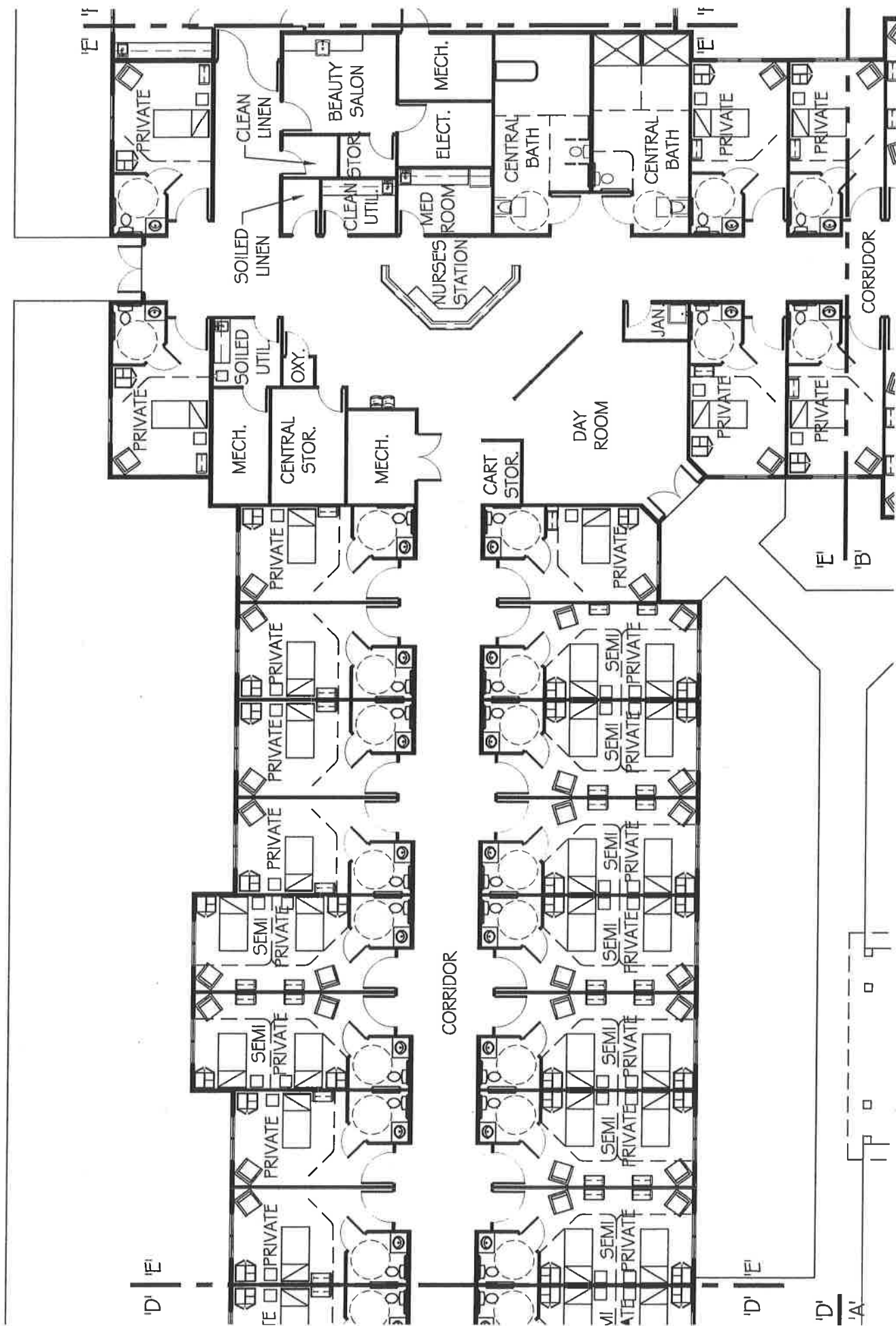
"B"



"C"







"E"



COURTYARD



Attachment C, I, Need, 3 a, (1)

**Licensed**

\* No Joint Annual Report for BNH is on file on the Department of Health website. Utilization data for BNH is taken from its 2012 Medicaid Cost Report.

**Licensed**

Totals/Average Disregarding

	791	0	0	791	0	105.2	516.3	90.1	563.5	711.6	90%
Holton Manor Data (see note)	791	0	0	791	0	105.2	516.3	90.1	563.5	711.6	90%

\* Calculated based on data reported in the 2011 Joint Annual Report as posted on the Department of Health website. There appears to be erroneously reported data.

Facility	Licensed Beds		Beds- Medicare Certified		Beds- Medicaid Certified		Beds- Dually Certified		Beds- Non-Certified		SNF/ Medicare-ADC		SNF/ Medicaid-ADC		SNF/ other Payors ADC		Non-Skilled ADC		Total ADC		Avg. Occ.	
	Beds		Certified		Certified		Certified		Certified		ADC		ADC		ADC		ADC		ADC		Occ.	
Bristol Nursing Home	120		0		0		120		0		2.0		90.2		6.0		96.2		98.2		82%	
Brookhaven Manor	180		0		0		180		0		18.2		113.7		12.6		133.5		144.5		80%	
Greystone Healthcare Center	170		0		89		81		0		16.7		118.9		8.0		114.2		143.6		84%	
Holston Manor*	204		0		0		204		0		23.9		139.5		21.0		158.3		184.4		90%	
Indian Path Med. Ctr., TCU	22		0		0		22		0		11.5		0.4		4.1		0.0		16.0		73%	
The Cambridge House	130		0		0		130		0		20.5		89.8		12.4		98.6		122.7		94%	
The Wexford House	174		0		0		174		0		20.0		116.3		29.9		137.0		166.2		95%	
Totals/Average	1000		0		89		911		0		112.8		668.8		94.0		737.7		875.6		88%	

**NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS  
METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS,  
BY COUNTY AND STATE TOTAL, 2016 (Based on 2013 Population Series)**

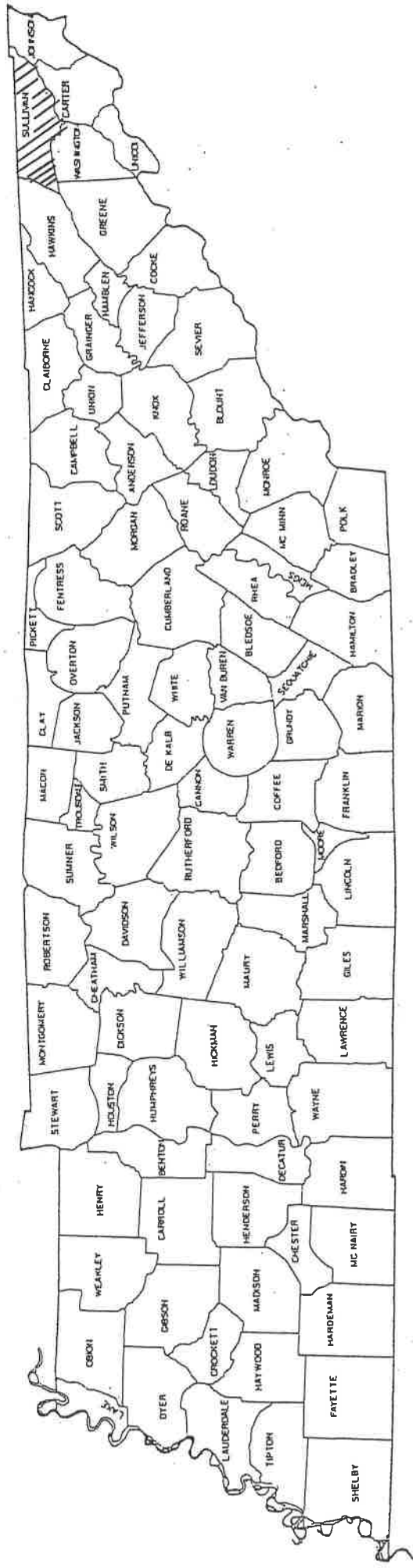
COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED
STATE	6,710,579	45,062	HAMBLEN	64,799	515	MORGAN	21,909	147
ANDERSON	77,273	713	HAMILTON	350,924	2,699	OBION	31,297	267
BEDFORD	48,881	306	HANCOCK	6,616	57	OVERTON	22,711	186
BENTON	16,177	163	HARDEMAN	26,164	191	PERRY	8,057	77
BLEDSON	12,586	98	HARDIN	26,128	244	PICKETT	4,968	55
BLOUNT	131,635	1,059	HAWKINS	57,889	502	POLK	16,566	139
BRADLEY	105,418	744	HAYWOOD	18,019	129	PUTNAM	79,829	537
CAMPBELL	42,056	327	HENDERSON	28,384	213	RHEA	34,128	270
CANNON	14,332	116	HENRY	32,852	310	ROANE	54,191	524
CARROLL	27,947	255	HICKMAN	24,527	179	ROBERTSON	72,431	284
CARTER	57,448	504	HOUSTON	8,421	74	RUTHERFORD	311,089	1,303
CHEATHAM	40,315	171	HUMPHREYS	18,525	162	SCOTT	21,912	159
CHESTER	17,731	131	JACKSON	11,428	97	SEQUATCHIE	15,506	123
CLAIBORNE	32,921	251	JEFFERSON	55,255	430	SEVIER	97,458	737
CLAY	7,672	74	JOHNSON	18,090	161	SHELBY	949,178	5,094
COCKE	37,652	284	KNOX	464,613	3,166	SMITH	19,928	135
COFFEE	55,438	332	LAKE	9,605	53	STEWART	13,764	108
CROCKETT	14,620	119	LAUDERDALE	27,188	171	SULLIVAN	160,039	1,602
CUMBERLAN	58,913	700	LAWRENCE	42,394	349	SUMNER	177,876	1,148
DAVIDSON	669,733	3,617	LEWIS	12,132	99	TIPTON	65,680	359
DECATUR	11,938	118	LINCOLN	34,983	209	TROUSDALE	8,368	54
DEKALB	19,040	149	LOUDON	52,058	560	UNICOI	18,451	186
DICKSON	51,393	258	MCMINN	53,717	451	UNION	19,410	135
DYER	38,301	282	MCNAIRY	26,950	226	VAN BUREN	5,446	46
FAYETTE	42,805	304	MACON	23,654	161	WARREN	40,832	309
FENTRESS	18,699	148	MADISON	100,337	679	WASHINGTON	134,588	1,006
FRANKLIN	41,594	322	MARION	28,776	231	WAYNE	16,797	137
GIBSON	51,695	426	MARSHALL	31,570	213	WEAKLEY	39,030	279
GILES	29,290	246	MAURY	82,752	570	WHITE	27,387	229
GRAINGER	23,357	177	MEIGS	12,445	101	WILLIAMSON	212,938	1,100
GREENE	70,858	614	MONROE	47,049	381	WILSON	128,805	801
GRUNDY	13,307	115	MONTGOMERY	194,363	766			
			MOORE	6,378	54			

SOURCE: TENNESSEE DEPARTMENT OF HEALTH, DIVISION OF POLICY, PLANNING AND ASSESSMENT,  
OFFICE OF HEALTH STATISTICS.

10/22/2013

# PROPOSED SERVICE AREA

## CHRISTIAN CARE CENTER OF BRISTOL



<b>Variable</b>	<b>Sullivan County</b>	<b>State of Tennessee</b>
<b>Current Year (2014), Age 65+</b>	33,325	981,984
<b>Projected Year (2016), Age 65+*</b>	35,249	1,042,071
<b>Age 65+, % Change</b>	5.8%	6.1%
<b>Age 65+, % Total (PY)</b>	22.0%	15.5%
<b>CY, Total Population</b>	158,975	6,588,698
<b>PY, Total Population</b>	160,039	6,710,579
<b>Total Pop. % Change</b>	0.7%	1.8%
<b>TennCare Enrollees (Dec., 2013)</b>	27,260	1,184,986
<b>TennCare Enrollees as a % of Total Population(CY)</b>	17.1%	18.0%
<b>Median Age</b>	44	38
<b>Median Household Income ('08-'12)</b>	\$40,025	\$44,140
<b>Population % Below Poverty Level ('08-'12)</b>	16.90%	17.3%

\* Although they are not directly applicable to this application, the Guidelines for Growth nursing home bed need guidelines call for a 2 year planning horizon.

Sources: Population, Tenn. Dept. of Health; TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.



April 4, 2014

RE: Christian Care Center of Bristol

TO WHOM IT MAY CONCERN:

We verify that the Estimated Construction Cost of \$8,964,440.00 is reasonable for this facility.

This proposed facility will be designed and constructed to comply with the Building Codes adopted by Tennessee State Health Department (Department of Tennessee Health Care Facilities) listed below:

- 2006 International Building Code
- 2006 International Fire Code
- 2006 International Mechanical Code
- 2006 International Plumbing Code
- 2006 International Fuel Gas Code
- 2006 NFPA 101 Life Safety Code
- 2008 NFPA 70 National Electric Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 Guidelines for Design and Construction of Health Care Facilities

Respectfully,

A handwritten signature in black ink that reads 'Ken Ross'.

Ken Ross

KR/pr



April 23, 2014

Bristol Real Estate Investors, LLC  
2020 Northpark 2D  
Johnson City, TN 37604

Dear Mr. Lewis:

We appreciate the favorable preliminary discussions in reference to the Bristol Real Estate Investors, LLC project regarding the construction of an 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol TN. Based on those discussions a proposed loan amount of \$12,000,000 with a 20 year amortization is being considered, with an interest rate of 4.23%. Commitment is subject to the issuance of a Replacement Facility Certificate of Need and the standard restrictions and conditions of a Commitment Letter.

Please let me know if you have any questions. We appreciate this opportunity to be of assistance.

Regards,

A handwritten signature in blue ink, appearing to read "Jerry Kirk", written over a horizontal line.

Jerry Kirk  
Senior Vice President



April 10, 2014

Christian Care Center of Bristol, LLC  
2020 Northpark, Suite 2D  
Johnson City, TN 37604

Dear Mr. Lewis,

We have had favorable preliminary discussions with Christian Care Center of Bristol, LLC regarding an one (1) year renewable Operating Line of Credit for the operation of a 120-bed Skilled Nursing Facility at 2830 Highway 394, Bristol, TN 37602. Based on those discussions a proposed loan amount of \$1,000,000 is being considered, with an interest rate of Wall Street Journal Prime, subject to the issuance of a Replacement Facility Certificate of Need and the standard restrictions and conditions of a Commitment Letter.

Sincerely,

Scarlett M. Dale  
Carter County Bank a  
Division of Bank of Tennessee



Detail

CHRISTIAN CARE RUTHERFORD

December 31, 2013

Dec-13

## Assets

CASH-GENERAL ACCOUNT CAPITAL BANK	299,989.80
CASH-PAYROLL ACCOUNT FIRST TN	19,934.92
CASH-GENERAL ACCOUNT FIRST COMM BANK	18,174.64
CASH-TRUST ACCOUNT CHECKING	29,116.00
PETTY CASH	500.00
Total CASH	367,715.36
A/R-CREDIT BALANCES	(24,315.07)
ACCTS REC-MEDICAL REVIEW	5,464.05
ACCOUNTS RECEIVABLE	754,388.00
A/R-PART A SETTLEMENT	81,281.88
DUE FROM EMPLOYEES	(2,436.97)
MISC RECEIVABLE RATE INCREASE	542.78
Total ACCOUNTS RECEIVABLE	814,924.67
PREPAID INSURANCE	16,550.65
PREPAID OTHER	12,796.05
PREPD-COMCO LAST PYMT IN ADV-SCH 1	7,423.73
PREPD-COMCO LAST PYMT IN ADV-SCH 2	3,486.25
Total PREPAID EXPENSES	40,256.68
LOAN COSTS	9,531.47
PREOPENING COSTS	4,006.98
PRECERTIFICATION COSTS	232,939.47
UTILITY DEPOSITS	26,350.00
Total OTHER ASSETS	272,827.92
EQUIP,FURN & FIX	83,621.73
A/D EQUIP,FURN & FIX	(48,527.90)
VEHICLES	45,442.33
A/D VEHICLES	(18,934.30)
LEASEHOLD IMPROVEMENTS	23,859.36
A/D LEASEHOLD IMPROVEMENTS	(4,049.00)
EQUIP CAPITAL LEASE	528,793.51
A/D LEASED EQUIPMENT	(180,675.62)
Total DEPRECIABLE ASSETS	429,530.11
Total Assets	1,925,254.74

Detail

CHRISTIAN CARE RUTHERFORD

December 31, 2013

Dec-13

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## Liabilities

ACCTS PAYABLE-TRADE	213,180.81
NOTES PAY-LOC 1ST COM BANK-#15134	320,000.00
LEASE PAY-COMCO-SCH 1	78,865.36
LEASE PAY-COMCO-SCH 2	34,944.19
NOTES PAYABLE-FIRST TN (VAN)	8,279.83
ACCTS PAYABLE OTHER	11,086.35
LEASE PAYABLE-BUILDING	31,897.38
Total CURRENT PAYABLES	698,253.92

ACCRUED THER-MED REVIEW	4,123.74
Total ACCRUED EXPENSES	4,123.74

ACCRUED SALARIES	65,671.00
ACCRUED STATE UC TAX PAYABLE	1,776.00
ACCRUED FED UC TAX PAYABLE	393.00
ACCRUED FICA TAX-EMPLOYER	5,010.00
PAID TIME OFF	47,508.74
Total PAYROLL PAYABLES	120,358.74

ACCRUED F&E TAX	2,860.00
Total INSURANCE AND TAXES PAYABLE	2,860.00

INTEREST PAYABLE	289.32
PATIENT TRUST FUND	29,116.00
Total OTHER CURRENT LIABILITIES	29,405.32

LEASE PAY-COMCO-SCH 1	78,333.93
LEASE PAY-COMCO-SCH 2	61,762.74
NOTES PAYABLE-FIRST TN (VAN)	22,261.80
Total LONG TERM NOTES & LEASES PAYABLE	162,358.47

DUE TO CCMC	44,002.23
Total DUE TO RELATED PARTIES	44,002.23

DUE TO RCREI	581,178.16
DUE TO RCREI-DRAWS	95,000.00
Total OTHER LONG TERM LIABILITIES	676,178.16

Total Liabilities	1,737,540.58
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## Equity

ADDL CONTRIBUTED CAPITAL-JRL	600.00
FUND/EQUITY-RETAINED EARNINGS	103,672.88
ADDL CONTRIBUTED CAPITAL-GTM	400.00
Total FUND/EQUITY	104,672.88

Equity	104,672.88
Year to Date Income	83,041.28

Total Liabilities and Equity	1,925,254.74
------------------------------	--------------

	Current Period Amount -----	Year To Date Amount -----
<b>Revenue</b>		
ROOM & BOARD REVENUE	478,060	5,159,554
BED HOLD REVENUE	560	920
DRUGS REVENUE	29,508	287,163
IV THERAPY REVENUE	5,568	13,617
MEDICAL SUPPLIES REVENUE	2,795	2,795
ENTERALS REVENUE	0	17,104
LABORATORY REVENUE	1,201	9,507
RADIOLOGY REVENUE	0	8,755
PHYSICAL THERAPY REVENUE	50,509	677,529
OCCUPATIONAL THERAPY REVENUE	46,461	711,811
SPEECH THERAPY REVENUE	36,545	377,745
OTHER REVENUE	541	7,622
CONTRACTUAL ADJUSTMENTS ROOM & BRD	82,760	971,734
CONTRACTUAL ADJUSTMENTS - BED HOLD	(19)	(19)
CONTRACTUAL ADJUSTMENTS-ANCILLARIES	(162,720)	(1,948,211)
Net Revenue	571,769	6,297,625
<b>Expenses</b>		
ADMINISTRATION EXPENSE	(77,011)	(879,751)
ANCILLARY EXPENSES	(24,185)	(224,209)
DIETARY EXPENSE	(41,376)	(451,033)
EMPLOYEE BENEFITS EXPENSE	(49,739)	(527,563)
HOUSEKEEPING EXPENSE	(10,749)	(143,947)
LAUNDRY EXPENSE	(3,414)	(45,584)
NURSING EXPENSE	(167,107)	(1,917,774)
OTHER EXPENSE	(20,301)	(227,374)
PLANT EXPENSE	(85,755)	(458,879)
PROPERTY EXPENSE	(60,303)	(743,786)
RECREATION EXPENSE	(4,700)	(59,669)
SOCIAL SERVICES EXPENSE	(7,798)	(86,144)
THERAPY EXPENSE	(32,405)	(448,471)
Total Expenses	(584,844)	(6,214,184)
Net Income	(13,075)	83,441
	=====	=====

Run Date: 04-04-2014 16:30:51  
Detail

Balance Sheet  
SWEETWATER NURSING CENTER  
December 31, 2013

Page: 1

Dec-13  
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Assets

CASH IN BANK-BB&T	5,281.74
CASH IN BANK-PAYROLL ACCOUNT	20,802.98
CASH-PEOPLES BANK OF EAST TN	265,918.13
CASH-TRUST ACCOUNT CHECKING	27,495.44
PETTY CASH	500.00
Total CASH	319,998.29

ACCTS REC-RESIDENT REFUNDS	22.50
AR-CREDIT BALANCES	(16,293.82)
AR-DUE FROM COMCO	401.43
ACCOUNTS RECEIVABLE-MEDICAL REVIEW	634.86
ACCOUNTS RECEIVABLE	618,052.07
A/R-PART A SETTLEMENT	19,156.48
DUE FROM EMPLOYEES	(7,969.33)
A/R-ENTERALS	5,323.09
Total ACCOUNTS RECEIVABLE	619,327.28

PREPAID INSURANCE	25,277.63
PREPAID OTHER	7,755.00
Total PREPAID EXPENSES	33,032.63

LOAN COSTS	2,918.22
Total OTHER ASSETS	2,918.22

BUILDING	24,658.59
ACCUM DEPREC-BUILDING	(8,183.43)
EQUIP,FURN & FIXTURES	391,775.96
ACCUM DEPREC-EQUIP,FURN & FIXTURES	(231,242.97)
VEHICLES	61,988.02
ACCUM DEPREC-VEHICLES	(33,625.18)
LEASEHOLD IMPROVEMENTS	175,088.46
ACCUM DEPREC-LEASEHOLD IMPROVEMENTS	(62,467.41)
EQUIP CAPITAL LEASE	182,659.81
ACCUM DEPREC-LEASED EQUIPMENT	(120,621.60)
Total DEPRECIABLE ASSETS	380,030.25

Total Assets	1,355,306.67
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Detail

SWEETWATER NURSING CENTER

December 31, 2013

Dec-13

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## Liabilities

ACCTS PAY/TRADE	254,171.87
EQUIPMENT NOTE PAYABLE-BB&T	41,573.33
NOTE PAYABLE-PEOPLES BANK	391,727.00
ACCTS PAYABLE OTHER	17,711.42
LEASE PAYABLE-COMCO #1	6,669.31
LEASE PAYABLE-COMCO #2	12,280.74
LEASE PAYABLE-COMCO #3	1,312.02
NOTE PAYABLE-ALLY (3857)	3,452.81
NOTES PAYABLE-ALLY (0513	3,480.96
ACCOUNTS PAYABLE-UNCLAIMED PROPERTY	370.01
BUILDING LEASE PAYABLE-SHPI	61,016.27
Total CURRENT PAYABLES	793,765.74

ACCRUED SALARIES	75,366.00
ACCRUED SUI	241.00
ACCRUED FUTA	449.00
ACCRUED FICA TAX-EMPLOYER	5,723.00
PAID TIME OFF	96,238.42
Total PAYROLL PAYABLES	178,017.42

REAL ESTATE TAXES	38,108.00
ACCRUED F&E TAX	9,735.00
Total INSURANCE AND TAXES PAYABLE	47,843.00

ACCRUED STATE LICENSURE FEES	18,541.67
INTEREST PAYABLE	1,059.82
PATIENT TRUST FUND	27,495.44
Total OTHER CURRENT LIABILITIES	47,096.93

LEASE PAYABLE-COMCO #1	8,460.77
LEASE PAYABLE-COMCO #2	18,076.70
COMCO LEASE PAYABLE #3	2,981.43
NOTES PAYABLE-ALLY (3857)	11,545.47
NOTES PAYABLE-ALLY (0513)	10,732.96
EQUIPMENT NOTES PAYABLE-BB&T	49,557.28
Total LONG TERM NOTES & LEASES PAYABLE	101,354.61

DUE TO CHRISTIAN INTERNATIONAL COLLEGE	4.56
DUE TO CARE CENTERS MANAGEMENT CONSULTING	44,344.79
Total DUE TO RELATED PARTIES	44,349.35

Total Liabilities	1,212,427.05
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## Equity

FUND/EQUITY-CAPITAL STOCK	1,000.00
ADDL CONTRIBUTED CAPIT	40,000.00
RETAINED EARNINGS	(1,345.78)
Total FUND/EQUITY	39,654.22

Equity	39,654.22
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Run Date: 04-04-2014 16:30:51  
Detail

Balance Sheet  
SWEETWATER NURSING CENTER  
December 31, 2013

Page: 3

Dec-13

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Year to Date Income

103,225.40

Total Liabilities and Equity

1,355,306.67

Income Statement  
SWEETWATER NURSING CENTER  
December 31, 2013

	Current Period Amount	Year To Date Amount
<hr/>		
Revenue		
ROOM & BOARD REVENUE	504,087	5,455,263
BED HOLD REVENUE	2,223	32,874
DRUGS REVENUE	24,812	217,751
IV THERAPY REVENUE	2,267	4,842
MEDICAL SUPPLIES REVENUE	(246)	15,652
ENTERALS REVENUE	2,549	22,174
LABORATORY REVENUE	1,613	8,694
RADIOLOGY REVENUE	1,448	8,699
PHYSICAL THERAPY REVENUE	72,612	783,431
OCCUPATIONAL THERAPY REVENUE	58,622	606,878
SPEECH THERAPY REVENUE	24,229	299,211
OTHER REVENUE	2,535	23,105
CONTRACTUAL ADJUSTMENTS ROOM & BRD	50,571	431,549
CONTRACTUAL ADJUSTMENTS - BED HOLD	(326)	(3,911)
CONTRACTUAL ADJUSTMENTS-ANCILLARIES	(177,370)	(1,807,961)
Net Revenue	569,625	6,098,252
 Expenses		
ADMINISTRATION EXPENSE	(72,599)	(891,458)
ANCILLARY EXPENSES	(22,258)	(176,845)
DIETARY EXPENSE	(36,259)	(373,578)
EMPLOYEE BENEFITS EXPENSE	(77,852)	(637,803)
HOUSEKEEPING EXPENSE	(12,973)	(151,392)
LAUNDRY EXPENSE	(2,959)	(29,103)
NURSING EXPENSE	(197,531)	(2,057,706)
OTHER EXPENSE	(20,181)	(241,305)
PLANT EXPENSE	(29,572)	(339,791)
PROPERTY EXPENSE	(74,367)	(585,812)
RECREATION EXPENSE	(4,907)	(52,337)
SOCIAL SERVICES EXPENSE	(8,706)	(77,911)
THERAPY EXPENSE	(40,499)	(411,539)
Total Expenses	(600,661)	(6,026,581)
Net Income	(31,036)	71,670
	<hr/>	<hr/>

Christian Care Center of Bristol	
Anticipated Contracted Health Care Provider Services	Anticipated Contracted Health Care Provider Name
Hospital and Transfer Agreement	Bristol Regional Medical Center
Hospital and Transfer Agreement	Holston Valley Medical Center
Hospital and Transfer Agreement	Johnson City Medical Center
Hospital and Transfer Agreement	Indian Path Medical Center
Hospital and Transfer Agreement	Select Specialty Hospital
Hospital and Transfer Agreement	Franklin Woods Hospital
Hospital and Transfer Agreement	Sycamore Shoals Hospital
Pharmacy Services	PNS Pharmacy
Contracted In-House Therapy Services	Rehab Solutions Therapy
Contracted Mobile X-Ray Services	MMDS Mobile Medical
Hospice Services and Transfer Agreement	Wellmont Hospice House
Hospice Services	Amedysis Hospice
Contracted Lab Services	Bristol Regional Medical Lab Services
Contracted Mobile Dental Services	Marquee Mobile Dental
Contracted Mobile Optometry Services	On Site Eye Care
Contracted Mobile Podiatry Services	On Site Podiatry
Contracted Physician Services	IPC - Hospitalist - Physician Services
Contracted Physician Services and Medical Director	Wellmont Hospitalists- Physician Services

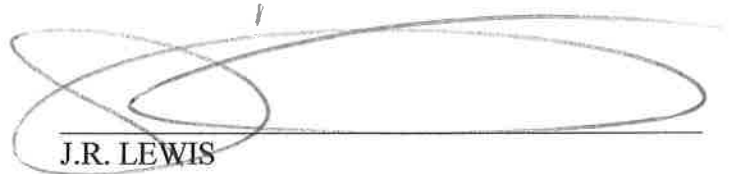


**AFFIDAVIT**

STATE OF FLORIDA

COUNTY OF PINELLAS

J.R. LEWIS, being first duly sworn, says that he is the applicant named in this application or its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

  
J.R. LEWIS

CHIEF MANAGER, CHRISTIAN CARE  
CENTER OF BRISTOL, LLC, APPLICANT

Sworn to and subscribed before me this 14<sup>th</sup> day of April, 2014 a Notary Public in and for the above written county and state.

  
NOTARY PUBLIC

My commission expires May 24, 2014



# **COPY SUPPLEMENTAL-1**

**Christian Care Ctr. of Bristol**

**CN1404-012**

APR 24 14 PM 1:39  
SUPPLEMENTAL

**SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**CHRISTIAN CARE CENTER OF BRISTOL**

**Construction of a Replacement Facility and the  
Relocation of 120 Licensed Nursing Home Beds**

**Sullivan County, Tennessee**

**Project No. CN1404-012**

**April 24, 2014**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Stites & Harbison, PLLC  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219  
615-782-2228**

**1. Section A, Applicant Profile, Item 6**

**The response to this item is noted. Please provide a fully executed Option to Lease that at least includes the expected term of the lease and the anticipated lease payments.**

Instead of entering into an option to lease, the parties have executed a binding lease agreement. A copy of the Lease is attached as part of Attachment A, 6 to the application. Under section 3 of the Lease the term is 10 years, renewable for an additional 10 years. The term begins upon occupancy of the premises as a SNF by the applicant, so if the CON is not approved the lease would not go into effect. This lease agreement gives the applicant legal entitlement to the property if the CON is approved.

In accordance with section 4 of the Lease, the rental amount is not a fixed amount which is set in advance. Instead, it is an amount that is intended to cover the debt service for the acquisition of the site, the construction of the facility and certain other capital costs. The Lease describes the methodology for determining the amount of the lease payments, but the exact amount cannot be definitively determined at this time. Since the lessor company and the lessee company have identical ownership, this is a logical and appropriate lease rate structure.

**Please provide a list of nursing homes owned by the owners of Christian Care Center of Bristol, LLC.**

J. R. Lewis (Tennessee Facilities):

Christian Care Center of Bristol, LLC  
Christian Care Center of Bedford County, LLC  
Christian Care Center of Cheatham County, LLC  
Christian Care Center of Johnson City, Inc.  
Christian Care Center of Rutherford County, LLC  
Christian Care Center of Springfield, LLC  
Lakebridge Medical Investors, LLC  
Roan Highlands Medical Investors, LLC  
Sweetwater Nursing Center, Inc.

Grant T. Miller (Tennessee Facilities):

Christian Care Center of Bristol, LLC  
Christian Care Center of Johnson City, Inc.  
Christian Care Center of Rutherford County, LLC  
Sweetwater Nursing Center, Inc.

**What is the square footage of the former facility?**

The 120 bed Tennessee-licensed facility to be vacated is 37,500 square feet, to be replaced with a new 52,732 square foot building.

The entire building to be vacated housed a total of 240 beds (120 beds licensed in Tennessee and 120 beds licensed in Virginia) and consists of approximately 64,000 gross square feet.

**Please explain if Medicare and Medicaid certification was terminated by CMS at the previously licensed facility due to physical plant concerns.**

The termination associated with the prior owner appears to have been based upon patient care deficiencies and policy infractions, not physical plant issues. Nevertheless, the proposed new replacement facility will provide an improved environment for patient safety and comfort, and for the provision of enhanced services.

**2. Section B, Project Description, Item II.A.**

**It is noted the applicant is proposing 36 private beds and 84 semi-private beds. It appears the current trend in Tennessee is to construct nursing homes with private beds only. Please clarify why a majority of beds for the proposed facility will be semi-private.**

The significantly smaller facility to be vacated consisted of all semiprivate rooms, yet in 2012 maintained a 92% occupancy rate. The applicant's evaluation of the Sullivan County needs and preferences leads it to believe that the combination of larger semiprivate accommodations plus the addition of a 36 bed (30%) complement of private beds will well serve the preferences of Sullivan County while achieving an effort to implement health services in an efficient, cost-effective manner.

The proposed replacement facility will greatly enhance the options for those desiring a bed in a private room. Currently, only 5% of service area beds are in private rooms (48/995). Not taking into account the 22 private beds at Indian Path, which beds are not generally available to patients who are not stepping down from a hospital stay, only 2.6% of the service area beds are in private rooms (26/973). The proposed new replacement facility will have 30% of its beds in private rooms (36/120). The private beds in this one facility alone (36) will equate to 75% of the number of private beds in the entire county currently (48), including the step down beds at Indian Path.

**3. Section B, Project Description, Item II.D.**

**It is noted the existing facility is located on the border of Tennessee and Virginia, with about half of the building in each state. Please clarify the total number of licensed beds in the existing facility and the number of licensed beds assigned to each state.**

The Tennessee facility consisting of 37,500 square feet is licensed for 120 skilled beds. Connected to that Tennessee facility is a 26,500 square foot structure located in Virginia that formerly served as a 120-bed licensed Virginia nursing home. The Virginia license has been removed from that location and relocated to Wythe County, Virginia. The Virginia license is in no way associated with the applicant.

**4. Section C, Need, Item 4.A.**

**The population chart in Attachment C, I, Need, 4 is noted. However, please revise the chart using the latest population data from the following Department of Health, Office of Health Statistics Web-site:  
<http://health.state.tn.us/statistics/CertNeed.shtml>**

A demographics table utilizing the requested data source is attached following this response.

## 5. Section C., Need, Item 5

Please complete the chart below breaking out the bed accommodation mix by nursing home facility in the Sullivan County service area.

**Service Area Patient Accommodation Mix-Most Recent JAR Period**

<b>Nursing Home</b>	<b>Licensed Beds</b>	<b>Total Private Beds</b>	<b>Total Semi-Private Beds</b>	<b>Ward Beds</b>
Bristol Nursing Home (2011)*	120	4	104	12
Brookhaven Manor	180	0	180	0
Greystone Healthcare Center	165	7	158	0
Holston Manor	204	5	196	3
Indian Path Medical Ctr. T.C.U.	22	22	0	0
The Cambridge House	130	4	126	0
The Wexford House	174	6	168	0
<b>Service Area Totals</b>	<b>995</b>	<b>48</b>	<b>932</b>	<b>15</b>
<b><i>Proposed Project</i></b>	<b><i>120</i></b>	<b><i>36</i></b>	<b><i>84</i></b>	<b><i>0</i></b>

\* There is no 2012 JAR for BNH posted on the Department of Health website.

The proposed replacement facility will greatly enhance the options for those desiring a bed in a private room. Currently, only 5% of service area beds are in private rooms (48/995). Not taking into account the 22 private beds at Indian Path, which beds are not generally available to patients who are not stepping down from a hospital stay, only 2.6% of the service area beds are in private rooms (26/973). The proposed new replacement facility will have 30% of its beds in private rooms (36/120). The private beds in this one facility alone (36) will equate to 75% of the number of private beds in the entire county currently (48), including the step down beds at Indian Path.

Please discuss how the Long-term Care Community Choices Act of 2008 has impacted nursing home utilization rates in Sullivan County for years 2010, 2011, and 2012. The Long-term Care Community Choices Act of 2008 allows TennCare to pay for more community and home-based services for seniors such as household assistance, home delivered meals, personal hygiene assistance, adult day care centers and respite.

The county-wide nursing home utilization rates have remained steady between 2010-2012; they were 88% in 2010, rose to 90% in 2011, and dropped back to 88% in 2012 (please see Attachment C, I, Need, 3 a, (1) to the application). It is possible the utilization rates would have increased in the absence of the LTCCCA, but such a conclusion would be speculation. In any event, county-wide utilization of nursing home beds and services is very healthy in Sullivan County.

**6. Section C, Need, Item 6**

**Your response to this item is noted.**

**Please complete the following table:**

**Christian Care Center of Bristol, LLC Projected Utilization**

<b>Year</b>	<b>Licensed Beds</b>	<b>*Medicare certified beds</b>	<b>SNF Medicare ADC</b>	<b>SNF Medicaid ADC</b>	<b>SNF Other ADC</b>	<b>NF ADC</b>	<b>Total ADC</b>	<b>Licensed Occupancy %</b>
<b>Yr. 1</b>	120	120	11	0	6	43	60	50%
<b>Yr. 2</b>	120	120	21	0	10	79	110	92%

**\* Includes Medicare/Medicaid certified beds**

**7. Section C, Economic Feasibility, Item 2**

**The funding letters for the proposed project is noted. However, please identify the term of the loan, and any anticipated restrictions or conditions for both loans.**

Letters of clarification from Renasant Bank and Carter County Bank are attached following this response.



Variable	Sullivan County	State of Tennessee
Current Year (2014), Age 65+	33,325	981,984
Projected Year (2016), Age 65+*	35,249	1,042,071
Age 65+, % Change	5.8%	6.1%
Age 65+, % Total (PY)	22.0%	15.5%
CY, Total Population	158,975	6,588,698
PY, Total Population	160,039	6,710,579
Total Pop. % Change	0.7%	1.8%
TennCare Enrollees (Dec., 2013)	27,260	1,184,986
TennCare Enrollees as a % of Total Population(CY)	17.1%	18.0%
Median Age	44	38
Median Household Income ('08-'12)	\$40,025	\$44,140
Population % Below Poverty Level ('08-'12)	16.90%	17.3%

\* Although they are not directly applicable to this application, the Guidelines for Growth nursing home bed need guidelines call for a 2 year planning horizon.

Sources: Population, <http://health.state.tn.us/statistics/CertNeed.shtml>; TennCare enrollment, TennCare Bureau website; Age, TACIR County Profiles website; Income and poverty level, Census Bureau QuickFacts.

SUPPLEMENTAL

APR 24 AM 11:39

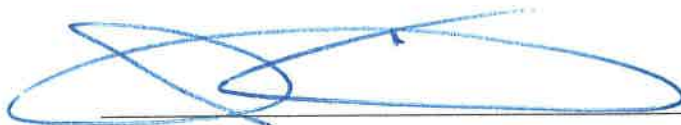
# AFFIDAVIT

STATE OF FLORIDA

COUNTY OF PINELLAS

NAME OF FACILITY: Christian Care Center of Bristol

I, J. R. Lewis, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

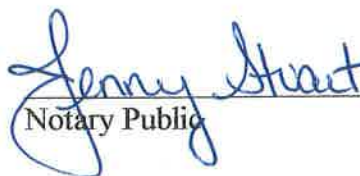


Name

Chief Manager

Title

Sworn to and subscribed before me this the 22<sup>nd</sup> day of April, 2014, a Notary Public in and for Pinellas County, Florida.



Notary Public

My Commission Expires: May 24, 2014



**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
615-741-1954**

**DATE:** June 30, 2014

**APPLICANT:** Christian Care Center of Bristol, LLC  
2830 Highway 394  
Bristol, Tennessee 37620

**CON #:** CN1404-012

**CONTACT PERSON:** Jerry Taylor, Attorney  
Stites and Harbison  
401 Commerce Street, Suite 800  
Nashville, Tennessee 37219

**COST:** \$12,000,000

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In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Christian Care Center of Bristol, LLC, owned and managed by Christian Care Center of Bristol, LLC, which will be managed by Care Centers Management Consulting, Inc., currently located at 261 North Street in Bristol (Sullivan County), Tennessee is seeking Certificate of Need (CON) approval for the relocation of the existing 120 bed nursing facility to a new site located at 2830 Highway 394, in Bristol (Sullivan County), Tennessee.

The proposed 120 bed nursing home facility will be located approximately 8 miles from the current location and will be licensed by the Tennessee Board for Licensing Healthcare Facilities. The Bristol Nursing Home was a 240 bed nursing home whose site was located on the State line between Virginia and Tennessee. The nursing home was licensed by Virginia and Tennessee with 120 beds in Virginia and the other 120 beds in Tennessee.

Based upon information provided by the Tennessee Department of Health, Division of Health Licensure and Regulation, Office of Health Care Facilities-Certification Section, the Bristol Nursing Home, as a result of a complaint investigation conducted on April 18-22, 2013, substantiated two (2) allegations of resident abuse resulting in findings that the former provider's non-compliance had caused or was likely to cause serious injury, harm, impairment or death. The facility received a civil monetary penalty of \$5,450.00 per day. On May 15, 2013, due to these and other seriously deficient practices, the Bristol Nursing Home was issued a 15-day termination notice of the facilities Medicare and Medicaid provider status by the Centers for Medicare and Medicaid Services. As a result, all Medicare and Medicaid residents were to be moved to other nursing home facilities effective June 14, 2013.

*Note to Agency Members: This history relates solely to the circumstances leading to the request by the previous owner to place its 120 licensed bed facility on inactive status.*

The Bristol Nursing Home, License #260 had requested and received a waiver from the Tennessee Board for Licensing Healthcare Facilities on September 11, 2013. This waiver allowed the Bristol

Nursing Home's license to be placed on inactive status for 2 years ending on September 11, 2015. The Christian Care Center of Bristol, LLC acquired Bristol Nursing Home on October 1, 2013.

As the applicant notes, on page 6 of Section B of the CON application, the project will be constructed by a company under identical ownership with Christian Care Center of Bristol, LLC and will be leased back to the nursing home.

The cost of the project is estimated to be \$11,953,746.55 and was rounded to \$12,000,000 by the applicant in the Letter of Intent. The applicant has received a funding letter from Renasant Bank in the amount of \$12,000,000.

### **GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

#### **NEED:**

The applicant's service area is Sullivan County. The total population for 2014 is 158,975 increasing to 160,039 in 2016, an increase of 0.7 percent. The age 65 and older population for 2014 is 33,325 and is projected to increase to 35,249 in 2016, an increase of 5.8 percent. The State of Tennessee's total population during the 2014-2016 planning horizon is expected to increase by 1.8 percent and the age 65 and older population is expected to increase by 6.1 percent.

The new owners determined that the existing 120 bed licensed nursing home facility did not have sufficient space to provide each resident enhanced room accommodations and space for an optimum array of services designed to maximize resident safety, comfort and energy efficiency.

The project as proposed will consist of 120 beds. The bed configuration consists of 36 private beds and 84 semi-private beds. It is noted the former Bristol Nursing Home had only 4 private beds, 104 semi-private beds and 12 ward beds. The bed configuration addresses the need for additional private beds in the service area. As the applicant notes, on page 2 of the Supplemental Response, the 36 private rooms proposed by the applicant will represent 75% of the current number of private beds in the service area. Again, the service area bed configuration, as documented in the *2012 Joint Annual Report of Nursing Homes* has only 48 private nursing home beds out of the 995 licensed nursing home beds in Sullivan County. The current number of licensed private nursing home beds represents 5% of the total number of nursing home beds in Sullivan County. The applicant proposes to increase the number of private beds from only 4 beds in the former Bristol Nursing Home to 36 beds which will represent 30% of its 120 beds.

The square footage for this project will consist of 52,732 square feet. This is compared to the 37,500 square feet in the existing Tennessee facility. It is noted that the original facility licensed by both Virginia and Tennessee had 240 nursing home beds in the approximately 64,000 square foot facility.

#### **TENNCARE/MEDICARE ACCESS:**

The applicant will participate in the Medicare and Medicaid/TennCare programs. The facility will have 120 dually certified beds. Net revenue from Medicare is projected to be \$962,547 or 19% and for Medicaid/TennCare is projected to be \$2,583,679 or 51% in the first year of the project as estimated by the applicant on page 32 of the application.

#### **ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment has reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine they are mathematically accurate and the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The Project Costs Chart is located on page 24 of the application. The total project cost is \$11,953,746.55.

**Historical Data Chart:** There is no Historical Data Chart because Bristol Nursing Home was closed at the time of its purchase by the applicant and no historical financial data is available from the previous owner. It is noted, that the former owner of the Bristol Nursing Home did not file a *2012 Joint Annual Report*.

**Projected Data Chart:** The Projected Data Chart is located in the application on page 28. The applicant projects 21,900 (50.0% occupancy) and 40,296 (92.0% occupancy) patient days in years one and two of the project, respectively. The total net operating revenue in year one is projected to be (\$486,890) and \$1,191,712 in year two of the project.

The average year one gross charge is \$328.96, with an average deduction of \$101.10, resulting in an average net charge of \$231.33. The net charges, as documented in the *2012 Joint Annual Report of Nursing Homes*, published by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics ranges from \$98.28 for Greystone Healthcare Center and \$383.37 for Indian Path Transitional Care Unit.

#### **CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The Christian Care Center of Bristol, LLC has prepared a listing of all anticipated contracted health care provider services and the anticipated health care providers that can be found in the application as Attachment C, III, Orderly Development, 1.

This project will not add additional licensed beds in the service area. The 120 beds are currently in inactive status, as granted by the Board for Licensing Healthcare Facilities on September 11, 2013. The owner of Christian Care Center of Bristol, LLC will, if this project is approved, provide a new facility which will provide services to residents in a facility that meets all current building codes, fire safety codes, provides increased space for resident's rooms and enhances the patient/staff flow within the facility. The relocation of this facility will not impact Sullivan County nursing homes because the reactivation of these 120 will not increase the total number of licensed beds in Sullivan County. The new bed configuration will, as previously noted, provide Sullivan County residents with 36 private care beds and 84 semi-private beds and eliminate all ward beds. The facility will apply to secure provider status from Medicare and TennCare/Medicaid. All 120 beds will be dually certified.

The applicant provides the proposed patient care staffing for the project on page 35 of the application. The applicant states it will hire approximately 60 FTE staff to provide nursing, certified nurse aide and ancillary services to the residents of the new facility.

The new facility, if approved, will likely seek to implement relationships with clinical training programs in the future as stated on page 36 of the of the application.

The Christian Care Center of Bristol, LLC will be licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities.

#### **SPECIFIC CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT  
OF  
HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

*This project does not seek the addition of beds, services, or medical equipment. Therefore, this specific criterion does not apply.*

2. For relocation or replacement of an existing licensed health care institution:

- a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

*The applicant is requesting approval for the change of site for the following reasons:*

- *Location—The new proposed site is located within Sullivan County and will serve the same resident population as the former Baptist Nursing Home.*
- *Engineering—The current facility is estimated to be 50 years old and is in need of substantial repair and renovation to its plumbing, electrical, nurse call system, windows, and emergency call system. The facility, also in order to meet current codes, must increase the size of resident rooms, the resident room doors must be increased in size, the hallways are less than 8' wide, and asbestos may be found in the facility. Additionally, the HVAC system is in need of replacement, the emergency power system cannot meet current standards, and the roof will need to be replaced.*

*The applicant, for these reasons, did not prepare a detailed analysis of the cost to renovate the current facility, but instead focused on the creation of a new state of the art nursing home that would meet or exceed current standards.*

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

*The facility is projected to open in 2016. Population projections for Sullivan County show the continued growth of the age groups who use long term care services. As noted previously, the projected number of individuals over the age of 65 will increase by 5.8 percent.*

3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.
- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

*The above criterion is not applicable to this project.*